



# Federal Housing Finance Agency

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September 23, 2019

Austin R. Evers  
American Oversight  
1030 15<sup>th</sup> Street, NW  
Suite B255  
Washington, DC 20005

Re: FHFA FOIA Request No.: 2019-FOIA-034

Dear Mr. Evers:

This letter is in response to your Freedom of Information Act (FOIA) requests, dated June 12, 2019. Your requests were combined into one request and processed in accordance with the FOIA (5 U.S.C. § 552) and FHFA's FOIA regulation (12 CFR Part 1202).

You requested the following documents for the time period "January 20, 2017 through the date the search is conducted"<sup>1</sup>:

"All email communication (including email messages, email attachments, calendar invitation or entries) between by the FHFA official below and any email address ending in .com, .net, .org, .edu, or .co, regarding Kushner Companies LLC (Kushner Cos.). All emails with any email address ending in @Kushner.com should be considered responsive to this request."

FHFA searched all systems that would most likely have email communication from/to the following individuals, as specified in your request:

- Janell Byrd-Chichester
- Mark Calabria
- Andre Galeano
- Sheila Greenwood
- Clinton Jones
- Adolfo Marzol
- Megan Moore
- Nina Nichols

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<sup>1</sup> Pursuant to FHFA's FOIA regulations, 12 CFR 1202.7(b), "FHFA will include only records in its possession as of the date the FOIA request is received." Therefore, the date range for your request will be January 20, 2017 – June 12, 2019.

- Joseph Otting
- John Roscoe
- Bob Ryan
- Lawrence Stauffer
- Eric Stein
- Sandra Thompson
- Melvin Watt

FHFA's search found 64 emails responsive to your request. Two emails (between FHFA and Freddie Mac, dated February 2019 and April 2019) are being withheld in their entirety pursuant to exemption 4 of the Freedom of Information Act, 5 U.S.C. § 552 (b)(4), pertaining to trade secrets and commercial or financial information obtained from a person that is privileged or confidential; exemption 5 (5 U.S.C. §552(b)(5)), pertaining to the deliberative process; and exemption 6 (5 U.S.C. §552(b)(6)), as disclosure of certain information (e.g., telephone numbers, email addresses, etc.) "would constitute an unwarranted invasion of personal privacy." A copy of the accessible material is enclosed (on CD).

This is the final decision on your FOIA request. If you wish to appeal any aspect of FHFA's decision, you must forward within 90 days:

- A copy of your initial request;
- A copy of this letter; and
- A statement of the circumstances, reasons, or arguments for seeking disclosure of the affected record(s).

The appeal must be sent either electronically by 5pm, no later than 90 days after the date of this letter, to [foia@fhfa.gov](mailto:foia@fhfa.gov), or postmarked and mailed to the "FOIA Appeals Officer" at 400 7th Street, SW, 8th Floor, Washington, DC 20219. The subject line, or the envelope and the letter of appeal, must be clearly marked "FOIA Appeal." Please note that all mail sent to FHFA via the United States Postal Service is routed through a national irradiation facility, a process that may delay delivery by approximately two weeks. For any time-sensitive correspondence, please plan accordingly.

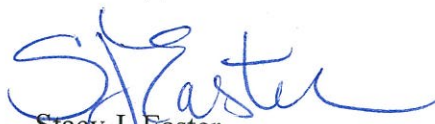
Additionally, you may seek dispute resolution services from the Office of Government Information Services (OGIS) at the National Archives and Records Administration. OGIS can be reached at 8601 Adelphi Road – OGIS, College Park, Maryland 20740-6001; by email at [ogis@nara.gov](mailto:ogis@nara.gov); by telephone at 202-741-5770 or toll free at 1-877-684-6448; or by facsimile at 202-741-5769.

Your FOIA request is releasable to the public under subsequent FOIA requests. In responding to these requests, FHFA does not release personal information, such as home or email addresses, and home or mobile telephone numbers, which are protected from disclosure under FOIA Exemption 6 (5 U.S.C. § 552(b)(6)).

There are no costs associated with processing this request.

If you have any questions regarding the processing of your request, please contact me directly at [stacy.easter@fhfa.gov](mailto:stacy.easter@fhfa.gov) or 202-649-3067.

Sincerely,



Stacy J. Easter  
FOIA/Privacy Officer  
FOIA Public Liaison

Enclosure (CD)

**From:** Moore, Megan <Megan.Moore@fhfa.gov>

**Sent:** Wednesday, August 16, 2017 10:24 AM EDT

**To:** Watt, Mel <wattmebj@fhfa.gov>; Pollard, Alfred <Alfred.Pollard@fhfa.gov>; Thompson, Sandra <Sandra.Thompson@fhfa.gov>; Nichols, Nina <Nina.Nichols@fhfa.gov>; Galeano, Andre D. <Andre.Galeano@fhfa.gov>; Stauffer, Lawrence <Lawrence.Stauffer@fhfa.gov>; Levine, Sharron <Sharron.Levine@fhfa.gov>; Stein, Eric <Eric.Stein@fhfa.gov>; Ryan, Bob <Bob.Ryan@fhfa.gov>; Byrd-Chichester, Janell <Janell.Byrd-Chichester@fhfa.gov>; Johnson, Carrie <Carrie.Johnson@fhfa.gov>; Fishman, Robert <Robert.Fishman@fhfa.gov>

**Subject:** Baltimore Sun: Jared Kushner's firm seeks arrest of Maryland tenants to collect debt

## Jared Kushner's firm seeks arrest of Maryland tenants to collect debt

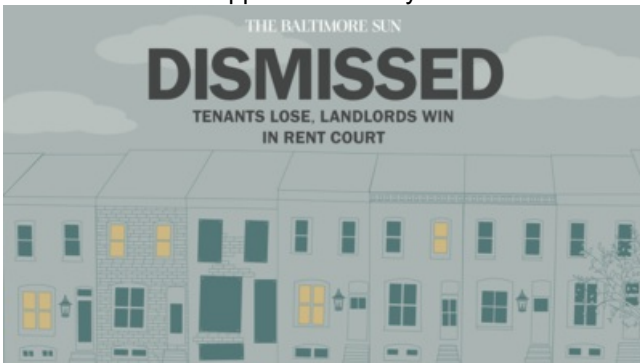
The real estate company owned by Jared Kushner, son-in-law and top adviser to President [Donald Trump](#), has been the most aggressive in Maryland in using a controversial debt-collection tactic: getting judges to order the arrest of people who owe his company money.

Since 2013, the first full year in which the Kushner Cos. operated in Maryland, corporate entities affiliated with the firm's 17 apartment complexes in the state have sought the civil arrest of 105 former tenants for failing to appear in court to face allegations of unpaid debt, The Baltimore Sun has found.

That's more than any other landlord in the state over that time, an analysis of Maryland District Court data shows. Court records show that 20 former Kushner tenants have been detained.

Industry professionals say such arrests, called body attachments, can be the only way to get tenants to pay the money they owe. Kushner Cos. officials say the New York-based firm employs the tactic as a last resort, and follows industry standards and state law.

But critics say it amounts to jailing people for being poor — and can interfere with their livelihoods, making it more difficult to pay the money they allegedly owe. Moreover, at least some tenants who have been targeted say they did not receive proper notice of the court appearances they were accused of missing.



Advocates for consumer rights have long pushed for legislation to limit body attachments.

"People are being arrested for a debt that they may not even be aware of, or for a court date they may not have been aware of," said state Sen. William C. Smith, a Montgomery County Democrat. Being arrested, he said, has a "devastating effect." Judges approve body attachments to compel tenants to show up at civil proceedings. Landlords say tenants are not arrested for owing money, but for missing at least two court hearings about the alleged arrears.

When a landlord wins a judgment against a tenant, he or she may ask the judge to order the tenant to appear in court to answer questions about assets and employment to determine garnishments. If the tenant fails to appear, the judge may issue another summons to determine why the person shouldn't be held in contempt.

If the tenant again fails to show up, the landlord can ask the judge to issue a body attachment.

When a tenant is arrested, a judge or commissioner can hold him or her and set a bond. Defendants unwilling or unable to pay the bond can end up in jail.

Attorney General [Brian E. Frosh](#), one of the advocates who has sought to limit the practice, says judges in small claims cases may act on informal evidence from landlords about the alleged debt and their attempts to notify tenants about court hearings. Frosh and others say tenants sometimes may be unaware of a debt because it has been sold to a company whose name they don't recognize, and may miss notice of a court hearing because they have moved.

Jennifer McLean, chief financial officer of the Kushner Cos., said the firm "follows guidelines consistent with industry standards" and state law when it files legal action. Westminster Management, which oversees Kushner's operations, "only takes legal action against a tenant when absolutely necessary," McLean said in a statement.

The Kushner Cos. have nearly 9,000 units in Maryland, most of them in Baltimore County. They generate at least \$90 million in revenue annually, according to offering circulars from mortgage giant [Freddie Mac](#) obtained by The Sun, and at least \$30 million in profit, according to financing documents provided to investors who hold the mortgages.

Three of the portfolio's apartment complexes — Dutch Village in Northeast Baltimore, Carriage Hill in Randallstown and Highland Village in Lansdowne — received \$6.1 million in federal rental subsidies since Jan. 1, 2015, according to records obtained through a [Freedom of Information Act](#) request. That's money that helps the poor pay rent.

The Housing Choice vouchers from the U.S. Department of Housing and Urban Development have helped 268 tenants pay rent at the Kushner properties, finance records show. Apartments rented for an average of nearly \$950.

Kushner affiliates have filed at least 1,250 legal actions in the state since 2013. Judges have awarded a total of \$5.4 million in judgments against tenants who owed an average of \$4,400, The Sun's analysis shows. That includes the original debts, plus lawyers' fees, court costs and interest.

In nearly all of those cases, judges have approved the garnishment of tenants' wages and property, actions that have helped the Kushner-controlled companies collect \$1 million so far, that data show.

The Sun analyzed data from a searchable database of district court cases compiled by the Maryland Volunteer Lawyers Service.

Priscilla Moreno, a Baltimore County school bus driver who works part time in video production, narrowly avoided arrest last year. She and her three children were living in Whispering Woods, a Middle River community of 524 apartments, when she received a federal voucher that she thought would help improve her housing. She decided to move out.

Then the Kushner affiliate JK2 Westminster hit her with a \$7,100 judgment in 2015. She says it did not credit her security deposit and included charges she disputes.

"They were charging me for things that were carpet cleaning," said Moreno, 44. "Normal wear and tear."

The original alleged debt was \$4,637.76. With lawyers fees, interest and court costs, it grew to \$7,100.

A Baltimore County District Court judge approved a body attachment for Moreno last July.

She avoided arrest by filing for federal bankruptcy, a step taken by at least a dozen other former tenants sued by Kushner affiliates.

The body attachment order "was very extreme," she said. For weeks, she lived in fear that she could be stopped for a traffic violation and end up in jail.

"If you don't have the money you have to stay in jail until you pay," she said.

She filed her bankruptcy paperwork with Baltimore County on Nov. 28. It was the same day that Ivanka Trump tweeted a Forbes magazine cover that featured a photo of her husband, Kushner, and a headline calling him "America's new power broker."

Moreno's bankruptcy records show she owed debts of \$60,000 against an annual income of \$31,000.

Kushner has earned \$1.5 million from Westminster Management alone, according to federal financial disclosure forms filed with the U.S. Office of Government Ethics. Forbes estimates his family's fortune at \$2 billion.

Moreno told the court twice that she never received the notices to appear after she moved out of Whispering Woods.

Smith, the state senator, introduced legislation in the [General Assembly](#) this year to limit body attachments. Frosh wrote in support of the bill.

"The Office of the Attorney General has long expressed concern about the courts being used as an instrument to assist debt collectors in collecting what is often questionable debt," Frosh wrote to the Judicial Proceedings Committee in March.

But with little support among committee members, Smith withdrew the measure. He said state Sen. H. Wayne Norman Jr., an attorney who represents landlords, was his "biggest opponent on the bill."

"It's a big part of his practice," Smith said. "It was clear [the bill] was not going to get out of committee."



[Doug Donovan and Jean Marbella](#)

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When the furnace in their West Baltimore rowhouse broke last winter, Denise and Marvin Jones did what they could to keep their family warm — and together. They filed a complaint against their landlord. They boiled pots of water and ran space heaters. They sent their four children to bed bundled...

(Doug Donovan and Jean Marbella)

Norman, a Harford County Republican, said judges approve body attachments only after tenants repeatedly ignore court orders to show up.

"It has nothing to do with owing money," he said. "It has everything to do with disobeying court orders and disrespecting judges."

Landlords spend at least \$150 to file the paperwork required to compel tenants to appear to negotiate debt repayment, Norman said. He said such tenants drive up the rents for everyone else as well as jeopardize property owners' ability to pay their mortgages."

If defendants didn't face serious consequences, he asked, "why would anybody obey a court order?"

"The body attachment is the only thing that gets a lot of people's attention," he said.

McLean, the Kushner executive, said tenants are given multiple opportunities to argue their case to a judge.

"Specifically, every resident must be physically served and have an opportunity to show up in court before a judge," she said in a statement. "Second, possession and monetary damages are awarded by the judge after both sides are given an opportunity to state their case. While taking a tenant to court is far from an ideal outcome, that option — and clear rules governing it — must exist as a last resort."

Baltimore County renters filed a class action lawsuit in 2015 challenging the collection tactics of Sawyer Property Management, one of JK2 Westminster's partners. Tenants claimed the firms violated the state's Consumer Protection Rights Act by pursuing money without a debt collector's license.



The Maryland Court of Special Appeals disagreed in November.

"Each complaint failed to state a claim under the Consumer Debt Collection Act or under the Consumer Protection Act," the court wrote.

Kathy Howard represents landlords as a lobbyist for the Maryland Multi-Housing Association. She said the Kushner Cos.' practices are not "out of the ordinary" when tenants repeatedly fail to appear at court hearings.

"It doesn't sound like [the company is] running awry of regulations," Howard said. "It simply is good business."

The practice is not universal.

"I worked for a firm that did collection work and it had a policy against requesting body attachments," said Amy Hennen, an attorney with the Maryland Volunteer Lawyers Service. "They don't want to risk the public relations issue."

Landlords say they need the option of seeking body attachments to recover debt. They argue that small landlords, in particular, often rely on rent payments to keep paying mortgages on their properties.

Marceline White, executive director of the Maryland Consumer Rights Coalition, challenged that argument. Data show that body attachments are obtained mainly by larger companies.

"When you realize that in these cases, it's a multimillionaire who is the son-in-law of the president, it begs the question whether they should be spending all this time and money to pursue people who have fallen behind," White said.

"Obviously, people should be paying their bills. But arresting someone years after seems fairly extreme."



[Doug Donovan](#)

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[A Baltimore city councilman introduced legislation Monday aimed at establishing a fund that would help low-income tenants facing eviction and other housing problems to hire attorneys, an effort that cities across the nation are exploring or have implemented.](#)

[If Councilman Robert Stokes' bill is...](#)

[\(Doug Donovan\)](#)

Michael Millemann is director of the Consumer Protection Clinic at the University of Maryland law school.

"It's utterly outrageous in 2017 to be locking people up for debt," he said.

Analysts with the investment research firm Morningstar say property managers must pursue debt. If tenants fail to pay rent, the firm warned investors in an analysis of the financing underlying the Kushner properties, the company could default on its mortgages.

Kushner Cos. acquired most of its Maryland apartment complexes with \$371 million in financing from Freddie Mac, the mortgage lending giant created by Congress in the 1970s. The mortgages were then packaged with hundreds of others as interest-bearing securities that Freddie Mac sold to investors.

Freddie Mac documents show that the average occupancy rate for 14 of the complexes stood at 95 percent. Revenues of nearly \$90 million brought \$30 million in profit after taxes, expenses and mortgage payments, the records show.

For a firm that receives money from HUD and financing from Freddie Mac, Hennen said, garnishing wages and seeking arrests is "harsh."

"A few hundred dollars can be the difference between making it and collapsing" for tenants, she said. "But certainly the body attachment is probably the worst, because we're talking about what is effectively a debtors' prison, which is something out of Charles Dickens."

*Baltimore Sun interactive designer Jin Kim contributed to this article.*

[ddonovan@baltsun.com](mailto:ddonovan@baltsun.com)

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**From:** Bloomberg Government [\[mailto:alerts@bgov.com\]](mailto:alerts@bgov.com)

**Sent:** Wednesday, August 16, 2017 6:17 AM

**To:** Johnson, Stefanie (Mullin) <[Stefanie.Johnson@fhfa.gov](mailto:Stefanie.Johnson@fhfa.gov)>

**Subject:** Alert: Baltimore Sun: Jared Kushner's firm seeks arrest of Maryland tenants to collect debt



[Baltimore Sun: Jared Kushner's firm seeks arrest of Maryland tenants to collect debt](#)

The real estate company owned by Jared Kushner, son-in-law and top adviser to President Donald Trump, has been the most aggressive in Maryland in using a controversial debt-collection tactic: getting judges to order the arrest of people who owe his ...

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**From:** POLITICO Pro Budget and Appropriations Brief <politicoemail@politicopro.com>

**Sent:** Monday, March 27, 2017 5:05 PM EDT

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Budget & Appropriations Brief: White House advances 'sanctuary' funding threat — Republicans huddle around tax reform — Who needs the Freedom Caucus?

By Jennifer Scholtes and Sarah Ferris | 03/27/2017 04:59 PM EDT

**PUTTING SANCTUARY CITIES ON NOTICE:** After lots of talk, the White House is starting to take action on so-called sanctuary cities. Attorney General Jeff Sessions surprised the White House briefing room today with [an announcement](#) that he'll start stripping away the Justice Department's \$4.1 billion in grants, yanking funding from cities that don't comply with immigration laws. He said the department would also try to "claw back" any federal dollars that sanctuary cities had already received. "Such policies cannot continue," Sessions said. "They make our nation less safe by putting dangerous criminals back on the streets."

**A tall order:** Hundreds of cities, counties and states consider themselves safe havens for immigrants, which usually means police can't detain anyone based on their immigration status without a warrant. (The Obama administration took on a [similar stance](#) in July. While those rules never went into effect, a [watchdog report](#) found that 10 jurisdictions — including Milwaukee, Chicago, Philadelphia and New Orleans — were in violation of current law and could lose a combined \$342 million each year.) The White House has frequently promised a crackdown on sanctuary cities, issuing an [executive order](#) in January.

**With or without Congress:** Legal experts say the White House could block the federal grants without permission from Congress if the Trump administration can prove a city has broken federal laws. But the administration will have to rely on the Office of the Inspector General for a final analysis.

**GOOD MONDAY AFTERNOON!** Reach out: [jscholtes@politico.com](mailto:jscholtes@politico.com) ([@jascholtes](#)) and [sferris@politico.com](mailto:sferris@politico.com) ([@sarahnferris](#)).

**Doc of the day** — Four-dozen lawmakers from both parties [wrote](#) to Education Secretary Betsy DeVos with concerns about the temporary outage of a FAFSA tool, which they say could delay financial aid applications and loan repayment.

**#DailyBudgetFact** — The U.S. would need to spend about \$170 billion over the next 30 years to upgrade 190,000 bridges considered vulnerable because of flooding related to climate change, [according to](#) The Hamilton Project and the University of Chicago's Energy Policy Institute. The East Coast, with a higher concentration of bridges, is most at risk.

## TAX

**NEXT UP?** House Republicans won't be licking their wounds for long after last week's humiliating defeat on Obamacare. Lawmakers will start huddling over tax reform Tuesday morning, [according to](#) GOP tax writer [Kenny Marchant](#). Legislative language is likely still months away, though the beginning of budget reconciliation is much closer. The first step? Getting Republicans in both chambers to agree to a budget blueprint. And we know the House Budget Committee is getting close (Chairwoman [Diane Black](#) told us last week to expect something in the next few weeks).

White House press secretary Sean Spicer mentioned tax reform, as well as infrastructure investment, in [saying today](#) that the president is "eager to get to 218 on lot of his initiatives."

**"Pivot:"** It's a very busy 2017 for Ways and Means Chairman [Kevin Brady](#). A top point man on health care, Brady will now be shepherding the GOP's tax reform plans — and soon. "We're going to pivot straight to this and just roll forward," Brady said in an interview with [Fox News' Neil Cavuto](#). "I think there's a stronger momentum for tax reform. And I think the key is to not linger on [the canceled health care vote], and just go straight ahead now."

**Why it's harder:** Besides the obvious problem of the GOP's waning political capital, the tax reform plan will also run into some tough budget math. Republicans had hoped to check off Obamacare replacement first, in part, because it would have repealed a half-dozen health taxes. And that lower revenue baseline would have given Republicans a bit of breathing room when it came to producing a revenue-neutral tax bill. Tax reform can only be achieved by reconciliation if it doesn't add to the deficit — if not, it'll face a filibuster threat in the Senate. Ryan acknowledged the rougher road ahead in a briefing on Friday. "This does make tax reform more difficult, but it does not in any way make it impossible," Ryan said.

**Fantasy land?** But Edward-Isaac Dovere [explains](#) that many Republicans are now skeptical, at best, about the prospects for other complicated bills that don't come with the benefit of the rage of their base to power them through, like tax reform and infrastructure. "I don't know that we could pass a Mother's Day resolution right now," Rep. [Matt Gaetz](#) (R-Fla.) said amid the fallout from the pulled Obamacare vote on Friday. "This notion that we'll just pivot to tax reform and all will be well, I think, is fantasy."

## POLITICAL STRATEGY

**WHO NEEDS THE FREEDOM CAUCUS?** Trying to pivot from their Obamacare failure, senior administration officials have [suggested](#) the White House will now try to court moderate Democrats in their next legislative efforts — a strategy one senior GOP Hill source suggests is designed to make the Freedom Caucus feel irrelevant. But Tara Palmeri [explains](#) why that's "a risky tactic" since the president will likely need the group for the next flash points on the legislative agenda — the debt

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ceiling and the budget.

Want to know how the secret Freedom Caucus pact brought down Obamacare repeal? Check out our [behind-the-scenes account](#) of the staredown between a few dozen conservative true believers and a novice president.

**Gotta give a little:** After [resigning](#) from the Freedom Caucus over the weekend, Rep. [Ted Poe](#) said [this morning](#) that the group was asking for too much. "... no matter what changes were made, the goal post kept getting moved. And at the end of the day, 'no' was the answer," Poe said on Fox News. "And sometimes you're going to have to say yes."

**Last laugh:** Freedom Caucus Chairman [Mark Meadows](#) seems to have played his political cards right, though. POLITICO's Adam Cancryn, reporting from Meadows' district in North Carolina, [explains](#) that the congressman "remains a hero" there. Meadows [says now](#) that it's "incumbent" upon congressional Republicans to unite the "coming days" to reignite efforts to repeal Obamacare. And House Freedom Caucus Vice Chair [Jim Jordan](#) said the group "did the country a favor" by opposing the repeal bill.

**Still got it:** Kyle Cheney [notes](#) that President Donald Trump's election "was supposed to neuter" the caucus, but the fate of the GOP's repeal bill proved the group "can stymie not only another Republican speaker, but a new Republican president."

**'Rotten' Washington:** OMB Director Mick Mulvaney used to be part of the club, of course. But he didn't speak so kindly of the group after the Obamacare vote was yanked. "I think if there's anything that's disappointing and sort of an educational process to the Trump administration was that this place was a lot more rotten than we thought that it was, and that I thought it was," [he said](#) over the weekend. "I know the Freedom Caucus. I helped found it. I never thought it would come to this."

**Times have changed:** Francis Fukuyama [writes](#) for POLITICO Magazine about how things would have been different in years of old. "Had this vote been held 75 years ago, the powerful committee chairmen in the House, together with the Republican Party leadership, could have corralled these renegades through a combination of bribes or threats. Today, such tools do not exist: Earmarks have been eliminated along with the powers of the committee chairs, and there is too much money from groups outside the control of the party hierarchy."

## APPROPRIATIONS

**DEMOCRATS SUDDENLY RELEVANT AGAIN:** The GOP's Obamacare faceplant is a bad omen for the rest of the big-ticket items in Congress this year — unless you're a Democrat. Now that House GOP leaders have been forced to write off the Freedom Caucus, they'll be counting on Democrats for two dozen or so votes, Heather Caygle [reports](#) today.

**Just in time for spending showdown:** The government's funding deadline is just 33 days away — and the House is in session for just 12 of them. Republicans were already reliant on Democrats in the upper chamber. But now, the GOP may have to kiss riders goodbye entirely — including funding for Trump's border "wall."

**Planned Parenthood fight?** Among the casualties of the GOP's health care flop: The push to defund Planned Parenthood. Conservatives are likely to insist Speaker [Paul Ryan](#) include that provision in next month's must-pass spending bill — but not without massive resistance from Democrats. At today's briefing, Spicer [didn't commit](#) to defunding Planned Parenthood in the spending bill. But he didn't rule it out either. "I don't want to get ahead of our legislative strategy," he said.

## HUD

**CARSON'S CONTRADICTION:** HUD Secretary Ben Carson praised Habitat for Humanity just a week after Trump said he wanted to slash funding that supports the group, Lorraine Woellert [reports](#). "I identify so strongly with the mission of Habitat for Humanity, which is seeking to put God's love into action," Carson said Friday at a Habitat site in Florida that will need HUD money to deliver 77 affordable homes. "It dovetails so well with my concept of what the Department of Housing and Urban Development should be doing, and that is not just putting a roof over people's heads but building communities and developing human capital."

## DEFENSE

**WILSON PREPARES FOR PLUS-UP:** The new chairman of the House Armed Services Readiness Subcommittee says he's determined to help increase the size of the military and boost readiness from historic lows under Trump's plan to expand the force. Specifically, South Carolina Republican [Joe Wilson](#) says he supports the \$640 billion Defense budget for fiscal 2018 that's being promoted by the chairmen of the Senate and House Armed Services committees, Sen. [John McCain](#) (R-Ariz.) and Rep. [Mac Thornberry](#) (R-Texas). More on that in Gregory Hellman's [Q&A](#) with Wilson.

## OBAMACARE

**ASSESSING THE DAMAGE:** Gallup surveyed voters after the GOP yanked the repeal-and-replace bill on Friday, and [the results](#) show Trump's approval ratings have dropped to 36 percent, the lowest of his presidency so far.

More post-fallout analysis: [Will Obamacare really explode?](#) | [Why Democrats should help fix the law](#) | [Republicans wonder whether Trump's heart was in the fight](#) | [The bill was a dumpster fire](#) | [Sanders: Public outcry helped derail bill](#) | [What's next?](#) | [Trump gets tamed by Washington](#) | [Ryan wounded](#) | [Did the GOP just dodge a bullet?](#) | [Inside the debacle](#) | [Spicer compares bill to a 'bad deal'](#)

## WHITE HOUSE

**'AHEAD OF SCHEDULE, UNDER BUDGET':** Trump says his son-in-law is going to prevent federal cost overruns in his [new role](#) as head of a White House office tasked with reforming the federal bureaucracy. "I promised the American people I would produce results, and apply my 'ahead of schedule, under budget' mentality to the government," Trump told The Washington Post in a statement about Jared Kushner's new role as head of the White House Office of American Innovation. The office is expected to first focus on opioid abuse, overhauling the Department of Veterans Affairs, modernizing technology across the federal government and working on "transformative projects" that would fit within the president's promised infrastructure package.

## STATE DISPATCH

**CALIFORNIA PROMISES 'HARD' FIGHT AGAINST BORDER WALL:** California Gov. Jerry Brown is vowing to go to battle — but maybe not wage an all-out war — against Trump's plan to build a wall along the U.S.-Mexico border. "We're going to fight, and we're going to fight very hard," the long-serving governor [told NBC's "Meet the Press."](#) California is home to [one-third](#) of all Mexican immigrants in the United States — as well as the nation's busiest land crossing, between San Diego and Tijuana. Brown has said he will be strongly involved in protecting immigrants' rights, but he says he intends to avoid senseless legal action. "We're not going to bring stupid lawsuits or be running to the courthouse every day," Brown said. "We're going to be careful. We'll be strategic."

**BEAR HUG:** Even if the president has threatened to cut off funding to the most populous state in the country because of its "sanctuary cities" stance, he's not being altogether stingy with federal money for California. Trump has now approved much-needed presidential disaster declarations related to the Oroville Dam crisis and winter storms in California, freeing up what's likely to be millions of dollars in federal aid for more than a dozen counties there. POLITICO California's David Siders [explains](#) that, like other presidents, Trump also appears to recognize the political opportunity in assisting states.

**State of disrepair:** Hours before issuing his first disaster declaration for California, in February, the president used the Oroville Dam emergency to advance his infrastructure agenda. "The situation is a textbook example of why we need to pursue a major infrastructure package in Congress," Spicer told reporters that month. "Dams, bridges, roads and all ports around the country have fallen into disrepair. In order to prevent the next disaster, we will pursue the president's vision for an overhaul of our nation's crumbling infrastructure."

**FOOT THE BILL, BUDDY:** Rep. [Lois Frankel](#), a Democrat whose district includes Trump's "Winter White House," is [telling Trump](#) to pay up for police costs or stop his weekend visits. The Palm Beach County Sheriff's Department and Fire Rescue has spent about \$1.7 million to date to help ensure Trump's security at Mar-A-Lago, according to Frankel. That tally is expected to rise to \$5.8 million by the end of the year. The local cost of the Chinese delegation's visit alone is pegged at \$280,000. In a letter to Trump, Frankel writes: "If compensation is not assured of being forthcoming, we respectfully ask that you curtail your visits until such time as that matter is resolved favorably to our area."

## EARMARKS

- What Kevin Brady thinks of Trump's trade agenda. [POLITICO](#).
- With potential 2017 cuts looming, OPM updates furlough and RIF guidance. [Government Executive](#).
- France would reach NATO budget target under top military officer's plan. [Defense News](#).
- Why Jim Harbaugh took a shot at Trump's budget. [POLITICO Magazine](#).
- Defense supplemental duplicates spending by \$5.2 billion. [CQ](#).
- Key pieces of tax reform collide with White House business interests. [POLITICO Pro](#).
- The cost of Trump's wall compared to the programs he's proposing to cut. [ProPublica](#).
- White House blame game intensifies as Trump agenda stalls. [POLITICO](#).

**WE'RE COUNTING:** 33 days until the current continuing resolution runs out (April 28) and 553 days until the farm bill expires (Sept. 30, 2018).

## ON TAP TUESDAY:

9 a.m. — The Business Council for International Understanding hosts a [discussion](#) titled "Trump administration policies, personnel and the White House decision-making process," focusing on trade, immigration, tax reform, budget and infrastructure.

10 a.m. — The House Foreign Affairs Committee holds a [hearing](#) on the budget for diplomacy and development agencies. 2172 Rayburn House Office Building.

10 a.m. — The House Transportation and Infrastructure Subcommittee on Water Resources and Environment holds a [hearing](#) on infrastructure investment and revitalizing communities through the Brownfields program. 2167 Rayburn House Office Building.

10 a.m. — The House Appropriations Subcommittee on Labor, Health and Human Services, and Education, holds a hearing on the Corporation for Public Broadcasting. 2358-C Rayburn House Office Building.

10:45 a.m. — The House Appropriations Defense Subcommittee holds [a closed hearing](#) on U.S. Central Command. H-140, The Capitol.

11:30 a.m. — The House Administration Committee [marks up](#) a resolution to approve franked mail allowances for committees. 1310 Longworth House Office Building.

2:30 p.m. — The Senate Armed Services Committee holds [a closed briefing](#) on the fiscal 2017 defense supplemental request, with testimony from Defense Secretary Jim Mattis and Marine Corps Gen. Joseph Dunford, chairman of the Joint Chiefs of Staff. Senate Visitors Center 217, U.S. Capitol.

4 p.m. — The House Ways and Means Committee [marks up](#) a resolution (H.Res.186) that would direct the Treasury Department to turn over Trump's tax returns and other specified financial information.

To view online:

<https://www.politicopro.com/tipsheets/budget-appropriations-brief/2017/03/white-house-advances-sanctuary-funding-threat-022055>

## Stories from POLITICO Pro

### Sessions: DOJ may deny grants to sanctuary cities [Back](#)

By Ted Hesson | 03/27/2017 03:06 PM EDT

The Justice Department may soon deny law enforcement grants to sanctuary cities that limit cooperation with federal immigration officials, Attorney General Jeff Sessions said today during an unannounced appearance at the White House daily press briefing.

Sessions said cities seeking federal grants would be directed to comply with a provision of federal law that [mandates](#) information sharing between government entities when it come to immigration. If they refused, Sessions said, they would risk losing grants from a \$4 billion law enforcement fund.

"Countless Americans would be alive today and countless loved ones would not be grieving today if these policies of sanctuary cities were ended," Sessions said, citing cases of deportable immigrants who committed violent crimes.

President Donald Trump [signed](#) an executive order in January that authorized the heads of the Justice and Homeland Security department to halt federal funding to certain sanctuary jurisdictions.

A federal judge in San Francisco will consider a motion to enjoin Trump's sanctuary city order on April 5.

*Josh Gerstein contributed to this report.*

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### Tax reform next? Maybe not [Back](#)

By Aaron Lorenzo | 03/24/2017 10:45 AM EDT

Republicans' spectacular failure to repeal and replace Obamacare threatens to sabotage another cornerstone of their agenda, tax reform — because of simple math.

The GOP was counting on wiping out nearly \$1 trillion in Obamacare taxes to help finance the sweeping tax cuts they've got planned for their next legislative act. And now it's unclear where all that money will come from.

"This does make tax reform more difficult, but it does not in any way make it impossible," House Speaker [Paul Ryan](#) said at a news conference on Friday. "We will proceed with tax reform."

While Obamacare taxes will remain, he said, "We're going to fix the rest of the tax code."

But losing the revenue from Obamacare repeal is fueling speculation that Republicans will settle for just tax cuts rather than sweeping reform.

President Donald Trump on Friday seemed to lament not taking up tax reform first.

"Right now we'll be going for tax reform, which we could have done earlier, but this really would have worked out better if we could have had some Democrats' support. Remember this, we had no Democrats' support. So now we'll go for tax reform, which I have always liked," he said.

But now Republicans will have to look elsewhere for money to meet their top targets: bringing the corporate tax rate down to 20 percent from 35 percent, cutting the top individual tax rate to 33 percent from 39.6 percent, and generous new writeoffs

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for business investments.

"We're going to analyze the complete impacts here. But clearly it makes a big challenge even more challenging," said House Ways and Means Chairman [Kevin Brady](#) (R-Texas).

Even if the Republican health care plan had succeeded, tax reform wasn't going to be a cakewalk. The House, Senate and businesses are already clashing over key elements of a House GOP plan, notably a provision known as "border adjustability" that would tax imports but not exports.

Ultimately the issue centers on House Republicans' desire to pass a tax overhaul that would raise the same amount of money as the current tax code. Eliminating taxes tied to the Affordable Care Act would have made reform cheaper by pulling down the budget baseline of how much money was expected to come in to the federal government.

About \$43 trillion in revenue is expected from the 2018 federal fiscal year through fiscal 2027, according to projections from the CBO, a sum that includes money raised by ACA taxes.

"That is a huge issue," a corporate tax adviser and ex-House staffer said on condition of anonymity to protect client sensitivities.

But Republicans may have to trim their sails. Rather than dramatically rewriting the tax code, they might fall back on their bedrock policy of tax cuts, perhaps with a smattering of policy changes and money raisers to offset some of the cost.

Earlier this week, analysts at Goldman Sachs put the odds of a tax cut at 80 percent, even if the Obamacare replacement plans collapsed.

But Brady said Republicans wouldn't settle for just tax cuts.

"Tax rates alone will not make America competitive. We know China, Germany, Canada, Mexico are not just beating us on low rates, they're beating us by not taxing worldwide, they're beating us with border adjustability," he said.

Lawmakers closely aligned with the president are worried about the broader political consequences of failure to repeal the 2010 health law.

"If this goes down, we don't get tax reform, we don't get infrastructure," said [Chris Collins](#) (R-N.Y.), the first lawmaker to back Trump's campaign. "We may lose the Senate. We may lose the House."

Meanwhile, the Ways and Means Committee is ready to get to work.

"Tuesday morning is our first tax reform meeting," said committee member [Kenny Marchant](#) (R-Texas).

*Colin Wilhelm and Brian Faler contributed to this story.*

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**Spicer: Trump 'eager' for legislative wins** [Back](#)

By Nolan D. McCaskill | 03/27/2017 03:00 PM EDT

After failing to shepherd a health care bill through a single chamber of Congress, President Donald Trump is "eager" to have major legislation advance through the House of Representatives, press secretary Sean Spicer said Monday.

Trump and House Speaker Paul Ryan suffered a political defeat Friday at the hands of their own party last week when they pulled a vote from the House on a measure to repeal and replace Obamacare once it became clear that it lacked enough GOP support for it to pass.

Trump has since blamed Democrats, despite their immediate and unanimous opposition, but signaled a willingness to work across the aisle to advance his agenda, which includes tax reform and a \$1 trillion infrastructure plan.

"I think there's a point at which both parties can look back and figure out whether or not it's worth engaging," Spicer told reporters on Monday. "I think the president, as I mentioned, is eager to get to 218 on lot of his initiatives — whether it's tax reform, infrastructure, there's a lot of things, and I think that he is going to be willing to listen to other voices on the other side to figure out if people want to work with him to get these big things done, to make Washington work, to enhance the lives of the American people, then he's gonna work with them."

Spicer pointed to the president's meeting with members of the Congressional Black Caucus last week as an example of Trump's overtures to Democrats. The caucus met with Trump on Wednesday to discuss issues affecting the African-American community.

"I think he had a great meeting with the CBC the other day, for example, where he talked about infrastructure, he talked about loans and small business lending, education," Spicer said. "There are things that he is willing to engage individuals with or groups or caucuses to get to 218 and further advance his agenda."

Spicer rejected the notion that working with Democrats would undermine Ryan's job security as House speaker by freezing out the House Freedom Caucus, the ultra-conservative bloc of lawmakers that essentially sank the GOP's proposal to repeal and replace Obamacare and ousted former House Speaker John Boehner.

"It's not about undermining anybody," Spicer said. "It's about moving the agenda forward and getting things done."

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**GOP wonders: Can it get anything done?** [Back](#)

By Edward-Isaac Dove | 03/25/2017 10:17 AM EDT

House Republicans voted 60 times to repeal Obamacare when Barack Obama was president. They have voted zero times on it since Donald Trump took the White House — and now they say they're moving on.

Moving on to what, no one seems to know.

Republicans headed home on Friday skeptical at best about the prospects for other complicated bills that don't come with the benefit of the rage of their base to power them through, like tax reform and infrastructure.

"I don't know that we could pass a Mother's Day resolution right now," said Rep. Matt Gaetz, a freshman Republican from Florida who says he's still committed to revamping Obamacare. He spoke of the failure in apocalyptic terms, saying Republicans may have given away the 2018 midterm elections, ensured that Trump will get impeached by Democrats once they're in power and potentially exiled themselves to years in the minority.

Theoretically, Republicans say, Democrats should be more willing to work with them on tax reform and infrastructure, and that will make the vote math easier. Theoretically, Republicans say, voters who elected them and Trump to blow up a Washington that wasn't doing anything and certainly wasn't doing anything for them, will interpret not holding a vote as some kind of weird victory, or at least forget about it by next November.

In his short press conference to announce the demise of the bill he tried to pull back even as Trump insisted on holding a vote (and then claimed credit for canceling), Speaker Paul Ryan countered with a double dose of big "ifs."

"Are we willing to say yes to the very good, even if it's not the perfect—because if we're willing to do that, we still have such incredible opportunity in front of us," he pleaded.

He didn't get into what would happen if not.

"This notion that we'll just pivot to tax reform and all will be well, I think, is fantasy," Gaetz said.

Other Republicans expressed frustration with the outcome and blamed the group of hardline conservatives for the bill's defeat. Rep. John Faso, another freshman, who won a hotly contested general election last fall, helped win some concessions in the bill to get the support of several of his fellow New Yorkers and then became a target of his state's governor and others in the state for a giveaway.

Like Gaetz, Faso said this wasn't what he went to Congress for.

"There's still time to repair the fallout from this," he explained, but "there's a faction that completely doesn't understand what it takes to be a governing majority."

He added: "We should have one, but they certainly thwarted it."

Ryan attributed the failure to Republicans newfound control of government. "We're going through the inevitable growing pains of being an opposition party to becoming a governing party," he said Friday. Others agreed.

"Your base walked away from it, the White House wouldn't own it, and the leadership was caught flat-footed," said Michael Steele, the former Republican National Committee chairman. "What I hope is that folks sober up to what this episode says about our readiness to govern. Because come Monday morning, the country's going to want you to have some answers to some things, and you better be prepared."

Gaetz and Faso just got to Washington, so neither cast any of the show votes for repealing Obamacare that were a regular feature of the last few Congresses. Rep. Dan Donovan (R-N.Y.) cast a few, though, and he's still proud he did—despite being a firm no through this week on the repeal effort.

"They were messaging votes," Donovan said. "I didn't vote not to repeal the Affordable Care Act, I was going to vote no on the replacement."

Donovan insisted he didn't see the bill's demise as a failure for Trump and Ryan, rather as a demonstration of what a good job they did.

"People think that this is a blemish on the president's administration or Ryan's leadership — I think it just showed good leadership, in how they listened, and didn't give up until the end when they didn't have the votes," Donovan said.

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Gaetz, on the other hand, was critical of the members who had cast votes against Obamacare but wouldn't on Friday. "Some people get a shaky trigger finger when they're firing with live ammo," he said.

Trump ended his passionless pursuit of a deal by claiming that he was never in a rush, telling reporters he gathered around him in the Oval Office, "I never said repeal and replace within 64 days." The statement was at odds with a tweet of his from last February: "We will immediately repeal and replace ObamaCare - and nobody can do that like me. We will save \$'s and have much better healthcare!"

Trump telegraphed his back-up plan weeks ago: if the bill did not pass, the healthcare system would implode and the people who suffer would direct their anger -- and accompanying political backlash -- toward the party that passed the law instead of the people who had promised to get rid of it, but failed.

But while Trump is trying to donkey kick the Democrats, he may have to rely on them to pass legislation like the investment in infrastructure that his own party is unlikely to be able to pass on its own.

"What President Trump has learned a few days in is that you can't count on your Republican majority to come through for you in lock-step fashion," said Rep. Rob Woodall (R-Ga.). "I don't know Donald Trump, but I know he is about getting things done, and if he can't come to the Republican conference to get stuff done, that doesn't leave a whole lot of options."

In other words, Trump needs to "learn that the majority is tight... and that Steny Hoyer's phone number is just as easy to dial as Kevin McCarthy's is," Woodall said, referring to the Democratic whip and the Republican majority leader respectively.

That assumes an openness from Democrats that's faded since their brain scrambling by Hillary Clinton's loss last year. There appeared to be a willingness to work on infrastructure with Republicans, but that was before their win on healthcare and the president's dismal approval ratings helped convince them that perhaps Trump is not as invincible as he once seemed.

"In my life, I have never seen an administration as incompetent as the one occupying the White House today," gloated Senate Minority Leader Chuck Schumer (D-N.Y.), in a statement out after the vote that was a far cry from all the eagerness to work with Trump on infrastructure that he was projecting at the end of last year.

It's possible that the loss was a shock to the system that Republicans need in order to start working together.

"I think we could pass a Mother's Day resolution," Faso said, joking to lighten his muted mood on Friday night. "Father's Day, I'm not so sure about."

*Rachael Bade contributed reporting.*

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**Priebus: Trump will seek Democratic support on health care** [Back](#)

By Cristiano Lima | 03/26/2017 09:36 AM EDT

White House Chief of Staff Reince Priebus said Sunday that President Donald Trump's administration would seek support from moderate Democrats going forward in the ongoing efforts to repeal and replace the Affordable Care Act.

"I think it's time for our folks to come together, and I also think it's time to potentially get a few moderate Democrats on board as well," Priebus told anchor Chris Wallace on "Fox News Sunday."

While continuing to fault congressional Democrats for taking down the House GOP health care bill Friday, Priebus also stressed that Republicans — who own a 237-193 edge in the House (with five vacancies) — needed to start taking command in Congress.

"We had no Democrat support. We had no votes from the Democrats. They weren't going to give us a single vote," Priebus said. "But ... at the end of the day, I believe that it's time for the party to start governing. I think that's important."

Asked whether Trump was set on letting the health care law "implode," as he alluded to Friday, or whether he would seek to compromise and seek to augment the existing law, Priebus said Trump was keeping his options open.

"I don't think the president is closing the door on anything," Priebus said.

Priebus also expressed some degree of frustration with members of the House who expressed their opposition to the bill, implying that their actions had not remained "loyal" to the president.

"The fact," he said, "that some of these members took that and decided not to move forward with it I think is a real shame and I think the president is disappointed in the number of people that he thought were loyal to him that work."

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**White House looks to rack up wins after health care calamity** [Back](#)

After suffering its first legislative blow at the hands of the Washington establishment, the White House regrouped over the weekend with senior aides strategizing on ways to score their boss a few wins and reassessing future friends and foes.

Instead of dwelling on the humbling Obamacare repeal defeat, President Donald Trump's chief strategist Steve Bannon told POLITICO there would be "action, action, action" this week coming from the White House. Expect executive orders this week on trade, energy and environmental regulations, he said in a text message.

Environmental Protection Agency chief Scott Pruitt said on ABC's "This Week" that Trump will sign an executive order this week rolling back President Obama's Clean Power Plan — an "Energy Independence Executive Order" designed to reduce regulations on domestic energy resources. The White House also confirmed that it would announce the creation of the Office of American Innovation on Monday, led by Jared Kushner.

All of that would help put the weekend of bitter recriminations behind them. The president took a step in that direction by calling House Speaker Paul Ryan on Sunday to reaffirm his commitment to their partnership. Ryan has indicated he is ready to move on to the next item on the ambitious GOP agenda — despite Trump's tweet this weekend [appearing to endorse](#) Fox News host Judge Jeanine Pirro's take-down of Ryan.

Some in Republican leadership even saw a silver lining in Trump's defeat — he may have figured out who he can work with on the Hill.

They're hoping that Trump has realized out it's useless dealing with the House Freedom Caucus that they believe moved the goalpost on the health care bill many times without ever committing to the vote.

One senior administration official says the White House now has their eyes on courting moderate Democrats. That official said they plan to reach out to House Minority Whip Steny Hoyer and other rank-and-file Democrats who they think will be amenable to infrastructure spending and tax reform. The White House has already made contact with the Congressional Black Caucus.

Chief of Staff Reince Priebus appeared to telegraph that approach Sunday by repeatedly saying on Fox News Sunday that they need to reach out to moderate Democrats.

"The last 48 hours were about letting the dust settle, and the next week will be about talking to Democrats," said another senior administration official who was involved in pushing the health care bill on the Hill.

One senior GOP Hill source surmised that the messaging campaign from the White House about the potential courtship of Democrats is designed to make the House Freedom Caucus feel irrelevant in the fights ahead — a risky tactic since the president will likely need the House Freedom Caucus for the next flash points on the legislative agenda — the debt ceiling and the budget in April.

"He's not only risking alienating them [the Freedom Caucus] but conservatives as a whole," said a senior GOP Hill adviser. "People were always suspicious of his conservative credentials, but they supported the candidacy. He's running the risk of turning off conservatives and he still has to deal with the debt ceiling fight and everything else. He walked into Speaker Ryan's trap of calling out the Freedom Caucus."

On Sunday, Trump blasted both the House Freedom Caucus and Democrats in a single tweet. "Democrats are smiling in D.C. that the Freedom Caucus, with the help of Club For Growth and Heritage, have saved Planned Parenthood & Ocare!" Trump tweeted.

Trump will likely have to wait more than a week for his next big win — assuming Supreme Court nominee Neil Gorsuch is confirmed in the face of Democratic Senate vows to block his nomination.

Until then, the White House appears to be ready to take on a more active role in tax reform than it did on the health care bill. According to a House leadership aide, when Ryan came to the White House on Thursday to deliver the bad news to Trump on the vote count, the president's top economic adviser, Gary Cohn, and Treasury Secretary Steve Mnuchin were eager to talk about tax reform.

While Trump laid his salesmanship on thick in the final week before the health care vote by courting the different GOP factions, some believe that he needs to sustain that work well in advance of the push for tax reform.

"To be his own best advocate, the President needs to know the Republican conference much better — invite members to the White House socially, invite them on Air Force One and to a golf outing," said Doug Heye, who served as an aide to former House Majority Leader Eric Cantor. "This effort can pay dividends the next time the White House wants to influence votes on the Hill."

Other have suggested that Trump should go even further and spend more time on the road selling his message, to add to his leverage when he's trying to twist arms on Capitol Hill.

"He spends everyday meeting with interest groups in the White House, I think going out and meeting with average Americans wouldn't hurt," said Alex Conant, Sen. Marco Rubio's former communications director, noting that Trump's

average of one rally outside of D.C. per week isn't enough with his slipping approval ratings. "They need to develop a strategy, where they agree that 37 percent is unacceptable for a president's approval rating after two months on the job."

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## **How a secret Freedom Caucus pact brought down Obamacare repeal**[Back](#)

By Rachael Bade, Josh Dawsey and Jennifer Haberkorn | 03/26/2017 07:03 AM EDT

Speaker Paul Ryan and House leaders had been toiling behind closed doors for weeks assembling their Obamacare repeal bill as suspicion on the far-right simmered to a boil.

So on March 7, just hours after Ryan unveiled a plan that confirmed its worst fears, the House Freedom Caucus rushed to devise a counterstrategy. The few dozen true believers knew that pressure from House leaders and President Donald Trump to fall in line would be immense and they were intent on not getting boxed in.

In a conference room in the Rayburn House Office Building, the group met that evening and made a secret pact. No member would commit his vote before consulting with the entire group — not even if Trump himself called to ask for an on-the-spot commitment. The idea, hatched by Freedom Caucus Vice Chairman Rep. Jim Jordan (R-Ohio), was to bind them together in negotiations and ensure the White House or House leaders could not peel them off one by one.

Twenty-eight of the group's roughly three dozen members took the plunge.

Three weeks later, Republican leaders, as many as 25 votes short of passage, were forced to pull their bill from the House floor.

"This is a defining moment for our nation, but it's also a defining moment for the Freedom Caucus," said group leader Mark Meadows about a week before the doomed vote was scheduled. "I don't think there's a more critical vote for the Freedom Caucus than this."

The unpublicized pledge sowed the seeds of Friday's collapse of the Republican Party's seven-year campaign to replace Obamacare with its own vision of health care reform. While Trump and leadership were able to win over some Freedom Caucus members, the parties to the pact refused to budge without a green light from their peers, despite receiving one concession after another.

Their resistance — along with the objections of a handful of moderates — stymied Trump and Ryan in the first major legislative gambit between the policy expert and political novice. The Freedom Caucus stared down its own commander in chief and won — delivering a black eye to his early presidency and potentially damaging the rest of his agenda.

"Democrats are smiling in D.C. that the Freedom Caucus, with the help of Club For Growth and Heritage, have saved Planned Parenthood & Ocare!" Trump tweeted Sunday morning.

"They [were] basically saying, 'We're going to find all the guys who support it, and we're all going to hold hands and be a 'no' on something,'" said a senior Republican source. "It's ironic because these are the guys who say, 'I don't turn my voting card over to leadership. I am the only guy who controls my voting card.' But then they do this stuff, where they say, 'I can't because my group is a no.'"

This account of the Freedom Caucus' central role in the health care showdown is based on interviews with more than two dozen Republican legislators, White House officials and congressional aides. Time and again, they described the tortured, toxic political dynamic within the House Republican Conference — old news to those who've followed years of internecine battles between the far-right and leadership, but never experienced or appreciated until now by Trump.

Freedom Caucus members told the White House they distrusted Ryan because he doesn't listen to their concerns. They refused to work with him, going around his back to negotiate with the White House. Little Trump did to woo them worked because the group always wanted more, White House officials and GOP leadership insiders said. They were buoyed by outside groups rooting them on, and didn't fear the White House's fury because the law was unpopular — and, increasingly, so was the president.

"There was this huge, deep distrust," one senior administration official said. "No matter what you offered them, or what you said, someone was unhappy with you. The level of distrust in the House ranks is far more than has been reported."

Their House colleagues are furious with them for, as Rep. Chris Collins (R-N.Y.) put it, "deserting the team." Some top White House officials say they learned their lesson about trying to negotiate with the group.

"How can [Freedom Caucus members] go back and face their constituents if they're the reason we didn't get the most significant entitlement reform in a generation, if they're the reason we didn't keep our promise for repealing Obamacare?" Rep. Richard Hudson (R-N.C.) said shortly before Ryan pulled the bill. "It defies to me to understand where they're coming from."

Their all-for-one strategy bedeviled Ryan's leadership team and other top White House officials during a frantic whipping operation in the days leading up to the vote. It undermined a key strategy laid out by GOP Whip Steve Scalise (R-La.), who

believed Trump's personal involvement, including face-to-face negotiations with some lawmakers and groups, would ultimately win over the Freedom Caucus. Trump even subtly threatened their political careers during a closed-door conference meeting three days before the scheduled vote, telling Meadows while winking: "Mark, I'm coming after you."

"They informally said: 'Let's stick together,'" said one Freedom Caucus source who described the strategy. "Whenever someone had a conversation with a whip or a member of the leadership team, or there was a discussion with White House staff, there was immediate discussion with the group, whether it was via telephone or a ton of group meetings."

The source added: "It made it much harder if you were in leadership to pick these guys off."

Most Freedom Caucus members say the group was merely sticking up for conservative values. In tanking the bill, they believed they'd get a shot at making it more conservative at a later point. During a Sunday interview on ABC's "This Week," Meadows said "Trump will deliver."

"As we look at this today, this is not the end of the debate," he said. "It's up to the conservatives and the moderates to come together in the coming days to present something to the president."

HFC members also pushed back hard against any notion that they changed their demands, saying they've wanted the same thing the whole time.

Some caucus members struggled with the strategy, wanting to repeal Obamacare but furious that Ryan's proposal didn't go far enough. A few felt obligated to vote "yes" to back Trump, but never switched because they didn't get the go-ahead from the band of ideological purists.

During a last-minute Friday afternoon plea from Vice President Mike Pence, members including Rep. Andy Harris (R-Md.), Scott DesJarlais (R-Tenn.) and even Meadows were visibly upset, sources said. But if some were starting to crack, they never got the chance. Ryan pulled the bill, and many are now pinning the debacle on the Freedom Caucus.

"There is no logical explanation for their behavior except they wanted to kill the bill," said one senior House Republican, furious about the bill's defeat. "Trump is now looking to work with Democrats to get health care done. ... Now, any health care reform will be less ambitious, less conservative."

From the start, few liked the Republican plan and no one loved it. Immediately after the bill dropped, high-profile conservative lawmakers and groups panned it as "Obamacare Lite." Just about every medical and health care group warned it would hurt Americans. And moderates were spooked by a Congressional Budget Office score that showed it would result in 24 million more uninsured Americans in the next decade.

So Republicans started logrolling.

New York lawmakers got the "Buffalo bribe," a provision to stick the state instead of counties with rising health care costs. Leaders bought goodwill from North Carolina and Kansas lawmakers with a ban on new states expanding Medicaid.

Individual lawmakers secured pet initiatives, persuading them to come on board. Rep. Lou Barletta (R-Pa.) flipped after Ryan agreed to hold a vote on his bill to require Social Security verification to receive health care tax credits offered by the GOP health plan.

And the White House clinched a deal with the 160-member strong Republican Study Committee by agreeing to its demands on Medicaid and curbing abortions.

But the Freedom Caucus remained elusive. Senior Republicans were heartened by the fact that the group never took an official position against the bill, and three of their more pragmatic-minded members voted for it in committee. That proved to be a false sense of security.

The president launched his charm offensive starting with Meadows, a ripe target after having campaigned with the president in North Carolina. Trump invited the Freedom Caucus chief and his right-hand man Jordan to lunch with him at the White House and called him dozens of times the week before the planned vote. He also wooed individual members of the group in the Oval Office and over late-night phone calls.

The White House also leaned on GOP leaders to make further concessions to appease the right, including getting rid of Obamacare taxes more quickly.

But as soon as that provision came out, caucus members said it wasn't enough. They wanted Congress to, in effect, start over: Pass a repeal-only bill, then come back with replacement legislation later on, with their input. That idea, however, would have been dead on arrival in the Senate.

Freedom Caucus insiders said offers of compromise or arguments for support were often panned by the most ardent members of the group, such as Jordan and Rep. Raúl Labrador (R-Idaho). The group acceded to those voices.

"When you're a minority in an organization, your strength is in sticking together ... and at least not making the commitment to someone else before you talk to the rest of the folks who are like-minded," Rep. Scott Perry (R-Pa.), a caucus member, said of the group's strategy. "You don't agree to something ... until you come back to the group and say, 'Hey, this what I heard.'"

The members were also buttressed by outside forces. Sen. Rand Paul (R-Ky.) repeatedly showed up to Freedom Caucus meetings to remind members that they could take down the bill if they stuck together. Sen. Ted Cruz (R-Texas) met privately with caucus members to explain his issues with the bill — though he stopped short of telling them how to vote, sources said. And Sen. Mike Lee (R-Utah) called at least a dozen conservative House members before the planned vote to urge them to hold firm.

Outside groups also cheered them on. The powerful Heritage Foundation, which has links to the White House, as well as Americans for Prosperity, the Koch brothers network, which has deep ties among members, frequently encouraged Freedom Caucus members to stand their ground. The deep-pocketed groups offered to start a seven-figure war chest to defend members who voted against the plan.

At times, the Freedom Caucus pact showed cracks. At a bill-signing ceremony at the White House, Trump pulled aside Freedom Caucus member Jim Bridenstine and implored him to vote for the bill. The Oklahoma congressman flipped his position that day. Trump also was able to win over Rep. Brian Babin (R-Texas), multiple sources said. And Rep. Trent Franks (R-Ariz.) offered his vote after a phone call with the president.

That wasn't enough. GOP leaders, who lost just over a dozen centrist and moderate Republicans, needed at least half the group if not more to pass the bill. They weren't anywhere near that.

Seeing how the battle was trending, and well aware they were running out of time, White House legislative staffers were still concerned they didn't have the numbers.

So the White House again offered more. After a meeting with the group at the White House Wednesday, Trump leaned on Ryan to repeal "essential health benefits," an Obamacare requirement that insurance plans include a minimum level of services. Ryan caved, after arguing just hours earlier that such a provision would tank the bill in the Senate under the chamber's arcane budget rules.

"We thought that could get us there," one senior administration official said.

Freedom Caucus members weighed the offer, but a few hours later said it would not secure their support. They wanted to repeal "Title One" regulations, which encompass the most popular aspects of Obamacare, such as mandating coverage of people with pre-existing conditions and allowing young adults to stay on their parents' health plans.

That was a nonstarter for the White House. Trump had campaigned on keeping those popular provisions and there was no way such a proposal could pass the House, let alone the Senate.

"I don't think [White House officials] understood the depth of our commitment to try to make the repeal of Obamacare, a repeal of Obamacare, instead of an embedding of Obamacare into the federal system, albeit a morphed form," said caucus member Mo Brooks (R-Ala.) just hours after the White House's latest peace offer.

White House officials grew frustrated as they felt Meadows kept asking for "more and more," as one senior GOP official put it, even though they felt he personally wanted a deal.

For instance, after a 90-minute meeting with the president Thursday, officials felt the caucus was getting closer to coming around. "It was all happy talk," said one senior administration official.

But when the group went back to Capitol Hill and huddled privately, momentum was lost. No caucus member changed his vote.

White House officials started to feel the internal war in the House was about more than just policy. They frequently heard from Freedom Caucus members about how much they distrusted Ryan, who they complained excluded them from his drafting of the Obamacare replacement. White House officials became convinced that the more Ryan was involved, the less the Freedom Caucus trusted them to deliver.

During an emergency meeting in Ryan's office Thursday night, the speaker and top Trump aides made their final appeal to the Freedom Caucus. White House officials Steve Bannon, Reince Priebus, Andrew Bremberg and Marc Short argued the group should hang their hat on the essential health benefits win and declare victory. Trump's budget director, Mick Mulvaney, presented the lawmakers with a letter from Trump outlining all the Obamacare regulations his administration would repeal on its own.

But the written promises from the president also didn't move them.

In a particularly tense exchange, Ryan at the end of the meeting tried to go around the room to each individual caucus member and ask where they stood. He first turned to Brooks. But Meadows jumped in, seeming to not allow the other caucus members to answer the speaker, according to three sources in the room.

"Meadows said, 'I speak for the group, I speak for the group,'" said one person in the meeting. "None of them could really get a word in. ... [Meadows] didn't want to get these guys on the record in the room with the White House."

Ryan reminded Meadows that he said publicly the group was free to vote as they choose since his group never took a position on the bill. But that didn't make a difference.



"They weren't going to get any commitments in the room," said one attendee. "They just weren't. It wasn't productive anymore."

There was a growing sense among White House officials and senior Republicans that the group's members didn't want to negotiate and that it didn't matter what they promised.

Finally, the White House had had enough. On Thursday night, immediately following the tense meeting in Ryan's office, Mulvaney was dispatched to a Republican Conference meeting in the Capitol. The former Freedom Caucus member told lawmakers they had a choice: Pass the bill or live with Obamacare.

The ultimatum hit some Freedom Caucus members hard. Some in the group began to wonder if they were doing the right thing. One conservative source in the group told POLITICO he felt perhaps they were becoming too "greedy."

White House aides and GOP leaders, meanwhile, kept up their pleas on Capitol Hill until midnight, a senior administration official said. Trump worked the phones and began telling advisers he was worried, but he wanted the vote the next morning — regardless if the votes were there.

On Friday afternoon, just hours before the scheduled vote, Freedom Caucus members gathered at the Capitol Hill Club to get their bearings and rally when Vice President Mike Pence walked in unannounced. He pleaded with the group, saying Trump's entire agenda depended on this vote. Pence told them he knew where they were coming from and begged them to trust him, a stalwart conservative, that this was the best repeal bill they could get.

Half of the group was moved by his personal appeal; the other half, recalcitrant, sources at the meeting said. Meadows, they said, was plainly distressed that he had to choose between the president he admires and the group he leads.

Despite the agonizing, the Freedom Caucus had already slammed the door. Just before that meeting started, Ryan had pulled Meadows off the House floor to check in one last time: Would the caucus back the bill or not? Meadows said "no."

Ryan then headed to the White House to deliver Trump the bad news.

*John Bresnahan and Burgess Everett contributed to this report.*

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## **Freedom Caucus member resigns from group over Obamacare rift**[Back](#)

By Rachael Bade | 03/26/2017 05:23 PM EDT

Rep. [Ted Poe](#) (R-Texas) resigned from the House Freedom Caucus over the group's opposition to the Republican plan to repeal and replace Obamacare.

"I have resigned from the House Freedom Caucus. In order to deliver on the conservative agenda we have promised the American people for eight years, we must come together to find solutions to move this country forward," Poe wrote in a statement. "Saying no is easy, leading is hard, but that is what we were elected to do. Leaving this caucus will allow me to be a more effective Member of Congress and advocate for the people of Texas. It is time to lead."

The group of roughly three-dozen arch-conservatives — along with a handful of moderates — denied Speaker [Paul Ryan](#) and President Donald Trump the votes they needed to get their Obamacare repeal legislation through the House.

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## **Rep. Poe explains why he split from the House Freedom Caucus**[Back](#)

By Louis Nelson | 03/27/2017 09:00 AM EDT

Rep. Ted Poe, the congressman who resigned from the House Freedom Caucus over its unwillingness to support White House-backed legislation to repeal and replace Obamacare, said Monday morning that the arch-conservative group was guilty of moving the goal posts for the bill's backers.

The repeal-and-replace measure, labeled the American Health Care Act, was supported by House leadership and the administration of President Donald Trump but failed to muster enough support among rank-and-file Republicans to pass. House Speaker Paul Ryan and the president agreed Friday to cancel a scheduled vote on the legislation once it became clear that it would not have the votes.

The bill ultimately failed thanks in no small part to the Freedom Caucus, whose members generally opposed it because it did not go far enough in undoing certain provisions of Obamacare. Poe (R-Texas), one of a handful of Freedom Caucus members to support the legislation, said the conservative group was asking for too much.

"The president, Speaker Ryan, came to the Freedom Caucus and made some changes that we wanted several times," Poe said in an interview Monday morning on Fox News' "Fox & Friends." "But no matter what changes were made, the goal post kept getting moved and at the end of the day, 'no' was the answer. And sometimes you're going to have to say yes."

Poe announced his resignation from the Freedom Caucus on Sunday, writing in a statement that "saying no is easy, leading is hard, but that is what we were elected to do." He said caucus chairman Mark Meadows (R-N.C.) wanted Poe to remain with the caucus, but the Texas legislator said "it's best for me, and even for the caucus that I not be a member of the Freedom Caucus."

"It was unfortunate that even though changes and we were included, the Freedom Caucus decided that 'no' was going to be the answer," he said. "At some time we're going to have to say 'yes.' We are in power. We need to lead."

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**Back home, Freedom Caucus' Meadows hailed as anti-Obamacare hero** [Back](#)

By Adam Cancryn | 03/27/2017 05:07 AM EDT

HIGHLANDS, N.C. — House insurgent Mark Meadows embarrassed the White House and forced his fellow Republicans to turn tail on a seven-year pledge to tear down Obamacare.

His constituents are throwing him a party.

"This is the face of leadership!" declares a flier posted by the local tea party here in western North Carolina, urging supporters to turn out for a rally celebrating the three-term congressman who leads the ultra-conservative House Freedom Caucus. "Thank Mark and all those who gave us an opportunity to get health care right."

Meadows — perpetual thorn in the side of GOP leadership, [dismissed](#) by institutional Republicans as a bomb-throwing saboteur and [tarred](#) by colleagues as a traitor — can still come home again.

In these small rural towns that double as ground zero for the type of populist, anti-establishment politics that thrust Donald Trump into the presidency and gave Republicans control of Washington, Meadows remains a hero. He demanded full repeal of Obamacare, more than the failed House bill would have attempted. And his star only shines brighter here after he cost House Republicans their first big win on health care — and their first big win as the governing party.

His constituents — roughly 45,000 of whom, ironically, were covered by the Affordable Care Act in 2016, most with subsidies, according to a Kaiser Family Foundation [estimate](#) — now expect him to go back to Washington and pick up the fight to uproot and destroy the law completely.

"I respect him for staying true to his principles," said Jerry Moore, who runs the Kilwins Chocolates & Ice Cream shop in Highlands, N.C., the hometown that gave Meadows his political start. "Trump promised repeal. That was no repeal."

That sentiment is echoed all over this town, and it strikes at the heart of the dilemma facing Republican leaders — how to enact big complex legislation without compromising the ideological purity they nurtured for years among lawmakers and voters alike. The Freedom Caucus, which pushed former Speaker John Boehner out in late 2015, now counts more than 30 members. The hardline bloc is powerful enough to derail any Republican bill deemed insufficiently conservative — and it's backed by voters eager to reward them, even if it means bringing down still more of the GOP hierarchy.

"What's happening now is no longer the Trump plan. It is the Obama plan," Ralph Slaughter, the GOP chairman in North Carolina's Jackson County, said of House Republican leaders' three-step proposal to replace Obamacare, with the bill that failed last Friday marking the crucial phase one. "They thought perhaps that they could just force it through, and I really think to a certain point President Trump was sold a bill of goods that it would carry. That all they would have to do is present it."

The 57-year-old Meadows, who made his fortune as a real estate developer before entering politics, has emerged as the flag bearer for conservatives' all-or-nothing view on Obamacare repeal. It's a bit of an awkward fit — Meadows has said himself that he wants to be liked, and was one of Trump's first and most ardent supporters. His office didn't respond to requests for an interview for this article, but those who know him say he's charismatic and eager to please.

"He's smooth as punch," said Highlands' mayor, Patrick Taylor, a former art professor and Bernie Sanders supporter, who disagrees with Meadows on politics from gun control to health care but is struck by his ability to connect with the region's blue-collar workers and simultaneously woo the country club set.

"People like the Affordable Care Act. They don't like Obamacare," said the mayor. "And they just don't realize" they are one and the same.

In North Carolina, the ACA has drawn significant enrollment — but it has clear challenges. In most of the state, only one insurer is participating on the Obamacare exchanges. The state elected a Democratic governor Roy Cooper last fall who wants to address the problems, and to finally get the state to take up the law's Medicaid expansion option. But he faces a conservative, often hostile, state legislature.

But within Meadows' district spanning the western third of the state — a patchwork of blue-collar workers and affluent vacationers at the foot of the Great Smoky Mountains — the harsh anti-Obamacare platform fits with the conservative tenor. And Meadows' hardline views separate him from the rest of a Washington crowd that people here describe with a mixture of suspicion and disgust.

"I think they lack wisdom in Washington," said Moore, the owner of the ice cream parlor, who believes too many lawmakers have lost touch with what voters want and need. "I think Mark Meadows brings wisdom."

Like many in the district, Moore was suspicious of Obamacare from the start. He spurned the Obamacare markets in their early years, taking advantage of the law's "grandfathering" option to stick with his original pre-ACA health plan. After two years of rising premiums, he jumped ship and joined Medi-Share — a Christian network that pools funds to help members cover each others' medical costs. The \$10,000-deductible plan covers his family of six for just \$300 a month, he says, though it provides only basic benefits.

But after discovering a bulging disk in his neck, Moore got a little nervous. He bought an Obamacare policy for himself, which costs more than double his family's Medi-Share plan. By his calculations, he could spend 24 percent of his yearly income covering the plans' combined premiums and deductibles before any benefits kick in. He makes too much to qualify for subsidies under the Affordable Care Act.

"Our health care is so good, we can't even afford it," Moore quipped, cringing at the thought of cutting those checks each month. "God only asked for 10 percent."

The way he sees it, the entire health care system is broken. And fixing it starts with tearing the existing structure down — all of it. In his view, the failed House Republican health care proposal was nothing but a Frankensteinian version of Obamacare, rearranging bits of the existing law, fusing it with industry giveaways and bringing it no closer to the free-market ideal conservatives hoped for when Republicans swept into power.

"I was glad it failed," said Moore, who voted for Trump in hopes he would revolutionize Washington, but is now discouraged by his divisiveness. "Why try to fix a broken system with broken parts?"

But as the president famously said, health care is difficult. Republicans had already spent seven years trying to agree on a fix, before crashing and burning last week. Despite GOP leaders' vows to move on to new priorities, Meadows that he'll keep pushing for full repeal.

"To put a stake in it today would not be accurate," he said Sunday on ABC's "This Week." "We're not at the end of the game."

For conservatives here, that's the moment they've been waiting for — a chance to show that the party's right flank is worth far more to the GOP than pure obstructionism.

"They will come up with a plan that will make health care better for all Americans," predicted Slaughter, the Jackson County GOP chairman, dismissing concerns about White House retribution for tanking this first repeal push. "The Freedom Caucus people are one of the reasons that Donald Trump is president of the United States right now. He is indebted to these people."

It's also a big new test for Meadows, whose short legislative career to this point is defined by three big confrontations: the 2013 government shutdown; the successful challenge to Boehner's speakership and the health law repeal, a story that may still unfold in unpredictable ways.

Now Meadows says that rather than stand in the way, he wants to take responsibility for moving the GOP forward on health care — finding a brand new solution, and, somehow, uniting the fractured GOP behind it.

That's a long shot without the Trump administration's blessing, even admirers in Highlands will admit. But Meadows has used intraparty skirmishes as springboards before. And, as Taylor attests, he has a knack for charming even his most ardent opponents.

"He's leading the cause, and he's not going to deviate," Taylor said. "He'd be tough to beat."

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**Freedom Caucus chair: GOP must 'come together'** [Back](#)

By Cristiano Lima | 03/26/2017 11:21 AM EDT

House Freedom Caucus Chair Mark Meadows said Sunday it was "incumbent" upon congressional Republicans to unite in "coming days" to reignite efforts to repeal and replace the Affordable Care Act, just two days after his group spearheaded efforts to halt the passage of House Speaker Paul Ryan's health care bill.

"It's incumbent upon those two groups, the conservatives and the moderates to come together, hopefully in the coming days, to find consensus, to present something to the president that certainly not only gets him 216 votes, but, hopefully, 235 votes," Meadows (R-N.C.) said during an interview with ABC's George Stephanopoulos.

Meadows dismissed the notion that congressional Republicans had been given a final blow on health care talks, painting the battle as far from over.

"To put a stake in it today would not be accurate, and nor would it be the narrative that this is a great failure for the president," he said.

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The Freedom Caucus chair also brushed aside questions about a tweet from President Donald Trump earlier Sunday that seemingly laid the blame for keeping Obamacare intact on the hardline conservative group.

"Democrats are smiling in D.C. that the Freedom Caucus, with the help of Club For Growth and Heritage, have saved Planned Parenthood & [Obamacare]!" the president tweeted.

In response, Meadows said Democrats should not rejoice yet, as discussions on repealing and replacing Obamacare were far from over.

"If [Democrats are] applauding, they shouldn't, because I can tell you that conversations over the last 48 hours are really about how we come together in the Republican conference and try to get this over the finish line," he said.

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#### **Jordan: Freedom Caucus 'did the country a favor' [Back](#)**

By Cristiano Lima | 03/26/2017 10:26 AM EDT

House Freedom Caucus Vice Chair Jim Jordan touted his group's opposition to the Republican health care bill during an interview Sunday, saying the legislative effort didn't go far enough to overturn and eradicate the Affordable Care Act.

"The fact that we opposed it, we did that country a favor because this bill didn't repeal Obamacare," said Jordan, who, along with many in his caucus, opposed the legislation supported by the Trump administration and House Speaker Paul Ryan. A vote on the bill, called the American Health Care Act, had been scheduled for Friday before being canceled due to a lack of support among House Republicans.

Speaking on "Fox News Sunday," Jordan (R-Ohio) added that he and other congressional Republicans needed to "get back to work" on drafting a new bill that could muster enough support to make it through Congress while fulfilling their longstanding promise to repeal and replace Obamacare.

"Let's be responsible, get back to work and do what we told the American people what we were going to accomplish, which is repeal Obamacare and replace it with a patient-centered health care program," he said.

Earlier Sunday, President Donald Trump [commented on Twitter](#) that members of the House Freedom Caucus had helped leave the Affordable Care Act, and its provisions on Planned Parenthood, intact, despite their strong opposition to both.

"Democrats are smiling in D.C. that the Freedom Caucus, with the help of Club For Growth and Heritage, have saved Planned Parenthood & [Obamacare]!" the president tweeted.

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#### **Freedom Caucus thwarts Boehner, Ryan — and now Trump [Back](#)**

By Kyle Cheney | 03/26/2017 07:03 AM EDT

President Donald Trump's election was supposed to neuter the House Freedom Caucus, the band of three-dozen rabble-rousing conservatives who made their name vexing House GOP leadership and driving John Boehner into early retirement.

So much for that idea.

On Friday, the Freedom Caucus delivered enough votes to sink Trump's push to replace Obamacare, proving it can stymie not only another Republican speaker, but a new Republican president.

It was not supposed to be this way. Trump's election, along with the return of Republican majorities to the House and Senate, appeared to marginalize the party's purist wing. Republicans elected their own bomb-thrower to the presidency; the bomb-throwers in Congress were expected to have his back.

But the failed health care drive made clear that if Trump wants to deal with Congress, he has to reckon with the Freedom Caucus. As does Speaker Paul Ryan and every other member of House, many of whom were left seething by their colleagues' inability to get to "yes" on the Obamacare replacement.

The group launched just over two years ago and has repeatedly bucked Republican leaders, forcing Boehner and then Ryan to cut deals with Democratic leader Nancy Pelosi.

"There were people were not interested in solving the problem," Rep. Michael Burgess (R-Texas), one of the architects of the GOP health care plan, said Friday. "They win today."

Amazingly, Ryan's old reality — a right-wing flank that tortures leadership on seemingly every big initiative — remains his new reality despite the GOP's dominance. Freedom Caucus Chairman Mark Meadows (R-N.C.) at times attempted to broker a health care deal with the White House and even extracted a few concessions. But eventually, he and his allies withheld their support, effectively killing the measure.

In a way, Meadows seemed to recognize that the group's resistance to the health care legislation represented a broader quest for meaning in the Trump era.

"Speaking candidly, this is a defining moment for our nation but it's also a defining moment for the Freedom Caucus," he told reporters Monday, four days before Ryan pulled the health care bill. "And so when we look at that, I don't think there's a more critical vote for the Freedom Caucus than this."

Ryan pointed out at a press conference Friday afternoon that the caucus had enough votes to single-handedly kill the health care legislation, though slipping support from moderates also played a hand in its demise.

For now, Freedom Caucus members don't seem interested in sending Ryan to the same fate as Boehner.

"Paul Ryan, he's a very good man," said Rep. Mo Brooks (R-Ala.) "He's an eloquent speaker. He is an excellent representative of the GOP conference as a whole, and I like the job he's doing and I want him to stay as speaker of the House. And I've heard nothing to the contrary."

But the caucus now will also have to factor into the White House's thinking as it reengages with the Hill on tax reform and other major legislative efforts. Its members — all men — hail from across the country. They include Rep. Joe Barton (R-Texas) and Rep. David Schweikert (R-Ariz.), both of whom ultimately backed the health care bill. They also included some of the bill's harshest critics, including Brooks, Rep. Justin Amash (R-Mich.), Rep. David Brat (R-Va.), Rep. Louie Gohmert (R-Texas) and Rep. Jim Jordan (R-Ohio).

Their influence began to come into focus as talks between the White House and congressional leadership began to falter last week. Meadows promised repeatedly that he had enough votes to sideline the Obamacare replacement plan crafted by Ryan and House leaders. So Trump began to court him.

Meadows and his allies trekked to and from the White House throughout the week. And when Trump traveled to the Capitol for a last-minute appeal to House Republicans, he singled out Meadows for some gentle pressure: "Mark, I'm gonna come after you," the president said in the closed-door meeting, a remark Meadows later said he took as a jovial jab.

After the effort fell apart, bruising Trump's image as a dealmaker and a closer, Trump resisted pinning blame on Meadows or his allies.

When asked if he felt "betrayed" by the Freedom Caucus, Trump responded: "No, I'm not betrayed. They're friends of mine. I'm disappointed because we could have had it, so I'm disappointed."

Trump said he hoped the episode would result in a "better bill" on health care later. And the group that derailed his first attempt took note.

"The Freedom Caucus looks forward to working with him," the group [tweeted](#) late Friday.

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## **Mulvaney on health care loss: 'Rotten' Washington won** [Back](#)

By Cristiano Lima | 03/26/2017 12:42 PM EDT

White House budget director Mick Mulvaney on Sunday lamented that the latest push to repeal and replace the Affordable Care act had failed because Washington was "lot more rotten" than the Trump administration had thought.

Though Mulvaney, a former South Carolina representative and House Freedom Caucus member, emphasized that there was "plenty of blame to go around" as to why the American Health Care Act did not get a successful vote, he said the winner was clear.

"I think what happened is that Washington won," he said. "I think if there's anything that's disappointing and sort of an educational process to the Trump administration was that this place was a lot more rotten than we thought that it was, and that I thought it was."

He added: "It's sort of the powers that be in Washington that won."

Mulvaney also expressed surprise and frustration that the hardline conservative Freedom Caucus opted to continue their opposition to the bill.

"I've been here for six years," the OMB director said. "I know the Freedom Caucus. I helped found it. I never thought it would come to this."

Mulvaney declined to fault the caucus entirely, however, pointing to the fact that many moderates also opposed the bill.

"You can blame it on the Freedom Caucus if you want to," he said. "But there's also a lot of moderates ... who are also against the bill. So it's sort of the powers that be in Washington that won."



## Trump's a Dictator? He Can't Even Repeal Obamacare[Back](#)

By Francis Fukuyama | 03/27/2017 05:21 AM EDT

Back in January, I [argued in these pages](#) that whatever President Donald Trump's proclivities towards being a strongman ruler, the American system of checks and balances in the end had a good chance of containing him. Friday's failure of the Republican attempt to repeal Barack Obama's Affordable Care Act underscores how difficult our political system makes any kind of decisive political action. During Obama's presidency, House Republicans voted some 60 times to repeal parts or the whole of the ACA, and Trump himself pledged that he would replace it with "something wonderful" on day one of his administration. And yet it appears that the ACA will continue to be, as House Speaker Paul Ryan admitted, "the law of the land." This happened despite the fact that we no longer have divided government, with the Republicans controlling both houses of Congress and the presidency.

The fundamental reason for the failure of the American Health Care Act (AHCA) lies, of course, in the internal divisions within the Republican Party. The bill was extremely unpopular from the beginning due to the fact that it would have potentially resulted in 24 million fewer Americans having health insurance, according to the Congressional Budget Office. The Democrats, though a minority, were therefore uniformly opposed to repeal, meaning that the Republicans could afford only 26 defections for the legislation to fail. The hardline Freedom Caucus in the end could not be badgered or threatened to accept "Obamacare Lite," coming, as many of them do, from safe, gerrymandered districts.

This is where the mounting number of institutional checks within the American system came into play. Had this vote been held 75 years ago, the powerful committee chairmen in the House, together with the Republican Party leadership, could have corralled these renegades through a combination of bribes or threats. Today, such tools do not exist: Earmarks have been eliminated along with the powers of the committee chairs, and there is too much money from groups outside the control of the party hierarchy. The Freedom Caucus holdouts were much more frightened of a Tea Party challenge in the primaries than they were of either Paul Ryan or Donald Trump.

And then, of course, there is the fact that the Republican Party is itself much more narrowly ideological and fragmented than it was in the mid-20th century, making it better adapted to vetoes and obstruction than to actually governing. As Ryan's ill fated predecessor, John Boehner, understood, party discipline no longer exists.

President Trump came into office seeming to think that he could run the U.S. government like he ran his family-owned business, through executive orders. As he admitted on Friday, "We learned a lot about the vote-getting process." Unlike a parliamentary system, the U.S. Constitution firmly vests most powers in Congress; the president is powerful only to the extent that he can be a cheerleader and consensus-builder in a system of widely shared powers.

So, far from being a potential tyrant as many Democrats fear, Trump looks like he is heading to the history books as a weak and ineffective president, hobbled by the same checks and balances as his predecessor. He has expressed regret that he went for health-care reform before tax reform, but he will find that the latter is an even further bridge. Should the Republicans push ahead with their border adjustment tax, they will find a huge coalition of powerful and well-organized interest groups opposing them. (Note, for instance, how vociferously Sen. Tom Cotton of Arkansas, home of retail giant Wal-Mart, has expressed his opposition.) Whatever the national interest in lowering the headline rate of corporate taxation, the organization of Congress gives these interest groups the ability to veto any measure affecting their narrow part of the economy. Ditto for an ambitious infrastructure initiative: It is that same Tea Party bloc that will be the most relentless opponents of any effort to spend federal dollars on it. And even if Congress approves, the courts and states will have a major say in how and whether projects are executed: just look at the remaining obstacles to Keystone XL getting built.

Trump could end up being a powerful and transformative president under one condition: that he breaks decisively with the Tea Party wing of his own party and pursue bipartisan cooperation from the Democrats. On the infrastructure initiative and possibly on tax reform this is entirely plausible. This would also have been possible with health-care reform, had Trump worked sincerely to fix the ACA rather than foolishly demonizing from the start what has proven to be a popular law.

I'm not counting on any of this happening, however. Trump's instinct is to run to his red state base of core supporters for comfort and adulation, rather than seeking to govern as president of the entire country. Note that he has yet to hold an event in a state he didn't win. He needs moreover to think carefully about the interests of his working-class supporters, rather than outsourcing policy to conservative ideologues like Paul Ryan—whose ideas would make them worse off. In Latin America, populist presidents shower their supporters with new social programs; our populist president has spent much of his early days trying to take benefits away from them.

Moreover, Trump has done so much to undermine trust that it's not clear the Democrats would accept an olive branch even if it were offered. Their intention to filibuster the appointment of Neil Gorsuch, an eminently qualified jurist, to the Supreme Court is a harbinger of future obstruction for its own sake. It is much more likely that the Trump presidency will continue to hobble along, weakened by its own lack of experience and internal contradictions. I am personally very pleased that the AHCA failed, since I thought Obamacare was good thing, and I hope that Congress will reverse many of the cuts proposed in Trump's budget. But Americans should not be pleased with an institutional system that privileges small minorities like the Freedom Caucus and makes the search for broad consensus so difficult. This is what feeds demands for strongman leadership in the first place and prevents the country from facing difficult decisions for the common good.

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## Trump's Obamacare stumble empowers Pelosi [Back](#)

By Heather Caygle | 03/27/2017 05:05 AM EDT

Nancy Pelosi is suddenly relevant again.

The implosion of the all-Republican effort to lay waste to Obamacare showed that President Donald Trump might need the San Francisco Democrat to salvage the rest of his agenda. The self-professed master negotiator couldn't get it done with his own party, despite a 44-seat House majority, and hinted afterward he might start to look across the aisle.

"Ironically, the president who ran as the great deal-maker couldn't even make a deal with the people on his own team. It's our leader who continues to unify us," Rep. Eric Swalwell of California, a close Pelosi ally, told POLITICO. "Republicans should take a lesson from that."

Republicans have turned to Pelosi for years to deliver Democratic votes on must-pass legislation to keep the government open and raise the debt ceiling. But with Trump in the White House and the GOP in control of Congress, dismantling Obamacare was supposed to be the first example that Pelosi's help was no longer needed, much less wanted.

Instead, House Republicans' crash-and-burn pointed to the opposite. The leader of the seemingly powerless House minority might actually have some juice. And the unexpected dynamic is already showing signs of uniting of her own caucus, which has been struggling to come together after Democrats' crushing election losses.

In November, Pelosi (D-Calif.) [beat back](#) the first real leadership challenge of her long career, fueled by charges that Democrats needed fresh ideas to compete for Trump voters. But there she was on Friday, literally [jumping for joy](#) on the Capitol lawn after the GOP's face-plant on Obamacare, her signature achievement in Congress.

The next big showdown in Congress comes at the end of April, when government funding runs out. Pelosi has already made clear her caucus won't support any spending bill that provides money for Trump's proposed border wall between the U.S. and Mexico.

Since the Republican Conference's divisions aren't likely to heal soon — Trump was tweeting barbs at the Freedom Caucus over the weekend — GOP leaders may have to heed Pelosi's warning early on if they want to avoid a government shutdown.

But beyond just keeping the government running, Trump could be forced to seek out Pelosi on everything from tax reform to raising the debt ceiling to a \$1 trillion infrastructure package he's touted.

Pelosi's power comes down to simple math. House Democrats are powerless to stop a unified Republican Conference from passing anything in the House. But GOP leaders need 218 votes and last week proved they are unable, for now, to corral a majority from within their caucus.

Whether Trump attempts to negotiate with Pelosi directly or looks to pick off conservative-leaning members of her caucus is an open question. Or he could pursue a Republican-only strategy again if he believes he can have better success next time than he did on Obamacare repeal.

The next big item Trump wants to tackle, a comprehensive tax overhaul, will likely be even more divisive within the GOP than health care.

On Friday, Trump called Pelosi and Senate Minority Leader Chuck Schumer (D-N.Y.) "losers," because "now they own Obamacare, 100 percent own it." At the same time, the president said he'd be open to working with Democrats to fix health care once Obamacare "explodes."

Two days later, Trump blamed Democrats and the arch-conservative House Freedom Caucus for the repeal defeat.

"Democrats are smiling in D.C. that the Freedom Caucus, with the help of Club For Growth and Heritage, have saved Planned Parenthood & Ocare!" Trump tweeted Sunday morning.

While Democrats could not have stopped Republicans from passing their repeal bill, Pelosi made sure her caucus didn't inadvertently assist them, either.

She began organizing a strategy to stop the repeal in late December, encouraging members to hold events in support of Obamacare, closely monitoring grass-roots efforts and pushing back on any rank-and-file efforts in recent weeks to introduce Democratic alternatives.

"I felt like we were the basketball team in the huddle with 10 seconds left on the clock and our coach is looking at her clipboard and she'd been there before," Swalwell said.

But even now, some Democrats are privately questioning how long Pelosi will stay.

Pelosi has said she would have retired had Hillary Clinton won the election, ensuring Obamacare was safe. Sources close to her now say just because the current repeal effort is dead doesn't mean to expect her departure anytime soon.

"This is just about the death of one bill. Granted it probably means that anything comprehensive is never going to happen.

But there are still little things Republicans can do," said one Democratic aide.

Pelosi, 77, has been leader since 2003; other members of the caucus' top leadership team are in their mid- to late-70s.

Younger members of the party have long complained they need fresh leadership to lead the uphill effort of someday retaking the House.

A few members and aides reiterated those concerns privately to POLITICO over the weekend.

But Pelosi allies argue she is the only one in their caucus adept enough to navigate Congress with someone as unconventional as Trump in the White House.

"She had a much more skillful president in George Bush and his team and a much more experienced hand in [former House Speaker] Dennis Hastert," said one lawmaker who requested anonymity. "This is child's play right now for her."

For now, Pelosi is just relishing victory. When House Speaker Paul Ryan (R-Wis.) conceded that Obamacare is "the law of the land" and will be "for the foreseeable future," Pelosi celebrated the moment in uncharacteristic fashion.

The Democratic leader, known for her business-like manner, kicked off her heels on the Capitol grounds Friday, jumping up and down in her stocking feet with supporters.

"Ho, ho, hey, hey, ACA is here to stay," the crowd chanted.

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## **HUD's Carson lauds Florida project that Trump plans to defund**[Back](#)

By Lorraine Woellert | 03/24/2017 06:19 PM EDT

Housing and Urban Development Secretary Ben Carson praised Habitat for Humanity just a week after President Donald Trump said he wanted to [abolish funding](#) that supports the group.

At the invitation of Republican donors, Carson Friday toured a Habitat site in Pompano Beach, Fla., that by this time next year will need HUD money to deliver its 77 affordable homes to lower- and middle-income buyers.

"I identify so strongly with the mission of Habitat for Humanity, which is seeking to put God's love into action," Carson said during remarks to the group. "It dovetails so well with my concept of what the Department of Housing and Urban Development should be doing, and that is not just putting a roof over people's heads but building communities and developing human capital."

Carson endorsed public-private housing partnerships and held up Habitat as an example.

"This project here is one of the things that work," he said. "The government can't do everything, but the government can get things started."

Carson's visit was arranged by Rick and Rita [Case](#), Republican donors who helped finance the Habitat project. Rita Case gave \$2,700 to Trump's campaign and \$12,300 to the Republican National Committee last year, according to data from the Center for Responsive Politics.

The Cases could not immediately be reached for comment.

Habitat, a global nonprofit, builds and rehabilitates homes, which it then sells. It requires buyers to invest sweat equity in the property by helping with construction. Prices and monthly mortgage payments are set according to each buyer's income.

The group's projects typically get funding through HUD's Community Development Block Grant program, the HOME Investment Partnerships Program, the Self-help Homeownership Opportunity Program, or SHOP, and a program known as Section 4.

All were eliminated in Trump's [budget outline](#).

"There's going to be some rearranging of the way the budget is done," Carson told POLITICO the night before the speech.

"I don't think anybody is going to be displaced," he said. "We're going to find excellent and efficient ways to get things done. And to get people out of poverty."

The Pompano Beach development will begin delivering homes by this time next year, when it will need help from the SHOP program for first-time buyers, said Nancy Robin, chief executive officer of Habitat in Broward County.

The gap between wages and home prices in Broward is among the worst in the country and affordable homes are in such short supply that the county is giving away land to build low-cost housing.

"Broward County is in crisis," Robin said. "We have a great divide. We have very, very wealthy people in this community but

it really is a service-based economy."

Habitat estimates that its independent local affiliates receive more than \$200 million a year in HOME, SHOP and CDBG. It also has leveraged \$92 million in Section 4 grants into \$162 million in private investment.

Carson asked questions about Habitat but didn't talk about funding, said Jonathan Reckford, chief executive officer for Habitat for Humanity International.

"He clearly talked about the need to leverage the public dollars with private dollars," Reckford said. "He certainly didn't give any policy prescriptions. He said he's looking for successful examples."

Friday's visit was the second stop on the secretary's listening tour, which he launched last week in Detroit.

**What's next:** Carson continues his listening tour in Dallas next week.

*Darren Samuelsohn contributed to this report.*

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## **POLITICO Pro Q&A: Rep. Joe Wilson** [Back](#)

By Gregory Hellman | 03/27/2017 03:52 PM EDT

The new chairman of the House Armed Services Readiness Subcommittee says he's determined to help increase the size of the military and boost readiness from historic lows under President Donald Trump's plan to expand the force.

Specifically, South Carolina Republican [Joe Wilson](#) says he supports the \$640 billion Defense Department budget for fiscal 2018 that's being promoted by the chairmen of the Senate and House Armed Services committees, Sen. [John McCain](#) (R-Ariz.) and Rep. [Mac Thornberry](#) (R-Texas).

"We've had enemies from around the world increase threats," said Wilson, a former Army colonel and National Guardsman. "They have taken our reductions in force and built up threats to the American people. As a Reaganite, I am a strong believer in peace through strength."

Another legislative priority for the new chairman is securing passage of the Military Surviving Spouses Equity Act that would eliminate the so-called Widow's Tax, which requires surviving spouses of service members killed in action to forfeit the survivor benefit pension annuity.

Thornberry recently wrote of his support for the measure, which Wilson has introduced in every Congress since 2011 [urging](#) House Budget Chairman [Diane Black](#) (R-Tenn.) to support the repeal.

As co-chairman of the Kurdish-American Congressional Caucus, Wilson also is recommitting his support of a measure to authorize directly arming the Iraqi peshmerga in the fight against the Islamic State.

POLITICO sat down with the congressman in his Capitol Hill office to discuss the defense budget, his goals for his subcommittee and the key issues under this jurisdiction.

*The below excerpts have been edited for length and clarity.*

### **Can you provide your thoughts on the president's defense budget proposal?**

While I support the funding level of Chairman Thornberry and Chairman McCain of \$640 billion, this is a clarification of the budget at \$603 billion. And I'm just very grateful for President Trump's clear affirmation of rebuilding our military.

### **What is your view of the president's proposal to raise the defense spending caps rather than eliminate them? Could you support that proposal?**

Yes. I know that he is focused on trying to be fiscally responsible and address defense, homeland security and veteran's issues. And it's a very delicate balance.

I just really believe ... the threats to the American people are rising every day. In particular, we see the threats with North Korea with additional missile testing, the boasts of their ability of miniaturization of nuclear warheads. It should never be forgotten that it was last year that they successfully launched a satellite.

That is a clear indication of the capability of an intercontinental ballistic missile, which could strike the West Coast of the United States, but already put at risk Hawaii and American territories — and obviously the American bases. It's almost inconceivable to me that we've had testing ... clear missile testing by a unit which is designated to strike and eliminate American bases in Japan. Good gosh, how clear is the threat?

### **You introduced a resolution related to North Korea in this session, could you tell me a little bit about that?**

I'm really grateful that we have a resolution with 107 co-sponsors, including [House Foreign Affairs] Chairman [Ed Royce](#) and

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ranking member [Eliot Engel](#). So, it's a bipartisan resolution. It restates the different levels of threats that North Korea is to the United States and our close allies of South Korea and Japan.

What needs to be done ... is to expand the sanctions to encourage, if not pressure, China. This should be in China's interests. I've actually been to Beijing, where I saw the foreign embassies there have double fences. And the reason for the double fences is ... people defect from North Korea and then jump a fence into a foreign embassy compound to claim asylum. And so they know how unstable that regime is, and to me, it should be in the interest of China.

**Returning to the budget, in addition to the president's fiscal 2018 proposal he also offered a budget amendment for fiscal 2017. What are your thoughts on that measure?**

Well obviously I'm grateful that is proceeding, again with an emphasis on defense.

**What do you think of the specifics of the measure? For example, it contained significant funding for procurement in the view of some analysts. Do you think it struck the right balance?**

I do. Readiness involves military personnel, training and certainly the most modern equipment, and maintaining the equipment we have. So there's so many legs to readiness that need to be addressed.

**Are there specific areas of readiness that you want to focus on as subcommittee chair?**

We need to maintain the equipment that we have so that we can then have proper training. The flight time is just critical for our personnel. I've had the experience myself in the National Guard of training at the National Training Center at Fort Irwin, Calif. in the Mojave Desert. I know how important that training is, because it was a precursor for the unit that I was in, the 218th Mechanized Infantry Brigade, to be deployed for a year to Afghanistan. It was that initial training ... that gave confidence to our military.

The training also has such an incredible impact on equipment. We learned that equipment that gives the perception of being very serviceable, once you go through a training you find out it needs to be superseded by multiple generations of improvements. With vehicles, we certainly learned that. When I trained, it was a long time ago. It was a pickup truck going through the dessert. Well, we learned that was not the way that you travel.

**You have introduced the Military Surviving Spouses Equity Act to Congress several times. Please tell me about the bill and why this Congress should adopt it.**

It's correctly identified as the "Widow's Tax," and I have actually adopted this from my predecessor, the late HASC Chairman Floyd Spence. He had previously introduced this legislation. A survivor of a deceased personnel receives a DoD benefit. Sadly, from that is deducted the Veterans [Affairs] benefit, which can be up to a \$1,000 a month deduction, for a \$12,000 deduction. What I believe was intended was for people to receive survivor's benefits — full survivor's benefits.

Col. Trane McCloud, was in our office. ... He was a military fellow. Sadly, he was killed in an accident in Iraq. I know so many families personally who have been effected. We have the Gold Star Mothers with us, who come by and explain, give real-world meaning to how this impacts on their lives, for themselves and their children. These are children of deceased military persons, people who have given their lives proving freedom is not free.

**As chairman of the Readiness Subcommittee you have jurisdiction over BRAC [base realignments and closures]. What is your position on the possibility of a new round of BRAC?**

I appreciate the discussion very much and I know that our state has really gotten prepared to be in a military-friendly state. We have Gen. George Goldsmith leading the efforts in the Fort Jackson community. Bill and Paula Bethea are leading a state commission on promoting state laws that are being adjusted in the event of a BRAC.

I think it's very legitimate that this be taken into consideration — how military-friendly a community and state is. And I look forward to working really with Chairman Mac Thornberry and his perception of how we should proceed.

I was concerned that last time we had a BRAC, even though it was beneficial to the military facilities of the district that I represent, it did not save funding as was anticipated.

**What would be the threshold to gain your support for a new round? What would the Defense Department have to show?**

Well, the department would have to prove to [Chairman] Thornberry that they could address the base realignment issues and achieve saving of funds — actually saving funds, because it still is startling to me that with all of the effort in the last BRAC that it actually did not save money. And then the prior round of BRAC, I'm not sure that saved money either. It would seem like it would, but it's got to be proven.

**You recently spoke with the leadership of the Kurdish Regional Government during a February trip to the region. What are your general impressions from that trip? Also, will you be supporting measures in this Congress to assist the Kurds, such as supporting direct arming of the KRG?**

Actually, I do — and I know that there's strong support in the House and Senate to arming the Kurdish Regional



Government. I had a very positive visit with the prime minister and Deputy Prime Minister Qubad Talabani in Erbil.

The American people need to know. [The Kurds] have not forgotten that they were protected by the no-fly-zone. They are a very dynamic and economically advanced portion of the Middle East. It's very impressive to see the economic vitality, the modern civilization that has been developed there. The American people should be proud that it was because they provided a no-fly-zone so that Saddam Hussein couldn't persecute and oppress the people. And so the Kurdish citizens really are a dynamic part of Iraq.

With the most recent military operations, in Eastern Mosul and also Syria, the Kurdish forces have been very, very helpful backing up and taking the lead in helping to liberate the second-largest city of Iraq - where my oldest son actually received a combat action badge. So, I identify with that.

#### **What additional issues are you looking to address as subcommittee chair?**

To me, it's the trajectory of where we're going. It was really sad to me, the lack of attention to readiness in our military did two things. One, it reduced the Army to the smallest size since 1939, the Navy to the smallest size since 1916, the Air Force to its smallest size since it was created in 1947.

The consequence of that is that we've had enemies from around the world increase threats. And they have taken our reductions in force and built up threats to the American people.

As a "Reaganite," I am a strong believer in peace through strength. The stronger the United States is, the better for the people of the United States and for our allies.

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#### **Will Obamacare Really Explode? [Back](#)**

By Katelyn Fossett | 03/24/2017 07:58 PM EDT

"Obamacare, unfortunately, will explode," President Donald Trump said on Friday afternoon after House Republicans pulled their bill to repeal and replace the Affordable Care Act, a stunning defeat seven long years—and 18 sudden days—in the making. A glum House Speaker Paul Ryan, the architect of the doomed bill, was forced to acknowledge "Obamacare is the law of the land," but likewise warned that the current system is unsustainable.

But is it? It's true that the big problems of skyrocketing premiums in certain states and insurance companies backing out of the exchanges set up under the 2010 law have yet to be solved. Even Democrats admit that. But will Obamacare really explode in one big death spiral? Trump has repeatedly said Republicans would be better off letting it fail in the hopes that votes will blame Democrats when they next go to the polls in 2018.

We tried to pare back some of the spin and grandstanding in the wake of Friday's no-vote and talk to someone who knows health care inside and out: Larry Levitt, senior adviser at the Kaiser Family Foundation and former senior health policy adviser to the White House. He told us what might really become of Obama's signature health law in the months and years to come.

**Politico Magazine:** What do you think is next? Do you think they will just let Obamacare go, and what will that look like?

**Larry Levitt :** The Trump administration faces some tough decisions over what to do with the Affordable Care Act. The president has talked in the past about how the law is collapsing, and he has said maybe he'll just let it collapse. The general consensus is that the law is actually not collapsing, and the Congressional Budget Office recently said that regionally, the insurance market would be stable under the ACA or the alternative the House GOP was considering. But the Trump administration could actively undermine the Affordable Care Act marketplaces or own them and work to improve them, from their perspective, and work to reshape it in a more conservative mold. I think the insurers are going to be watching very closely how the Trump administration approaches this in the next weeks and months.

**Politico:** You said they could reshape it. What would that look like?

**Levitt:** The administration has a lot of authority to reshape the law, both on the Medicaid side and the insurance marketplaces. There's been this big fight over the essential benefits that insurers are required to provide, and the administration has some flexibility in altering those benefits administratively. There's a lot the administration could do with state waivers, both to Medicaid and under the ACA.

**Politico:** So with the essential benefits, for instance, they could exempt some things from those?

**Levitt:** Well, so the statute lays out the 10 benefits that insurers have to provide, but within those broad categories, it's up to the secretary of HHS to define the details. So HHS could allow insurers to set more limits on those benefits, could give states more leeway in defining them. There's some limits to the authority: The benefits have to be comparable to a typical employer insurance policy, but you know, there's still a lot they could do to alter the benefits. So the Pottery Barn rule does apply here: If they break it, they own it. From this point forward, anything that happens to the ACA belongs to the Trump administration.

**Politico:** So you're saying, for instance, that they can't take maternity care out of the essential benefits, but they can say what falls under that umbrella?

**Levitt:** Well, maternity care is a tough one. Prescription drugs, there's probably a little bit more flexibility—allowing insurers more leeway in defining which drugs they cover. Or in some benefits being able to set limits on the number of physical therapy limits an insurer has to cover.

**Politico:** The case that Obamacare is collapsing is driven by this uncertainty, which is making insurers pull out. What does this fight do that uncertainty?

**Levitt:** The uncertainty insurers had been facing was what would come next after the Affordable Care Act, after this repeal-and-replace debate. It now looks like, for the foreseeable future, the Affordable Care Act is what's coming next. So in some sense, there is greater certainty for insurers now in knowing that the ACA is here to stay. The big uncertainty has come in what the Trump administration may do administratively.

The most immediate risk is what happens with cost-sharing subsidy payments to insurers. These are the payments that are at issue in the lawsuit that the House filed against the HHS, challenging their authority to make these payments. If the administration decides to stop those cost-sharing subsidy payments, you could see insurers running for the exits.

**Politico:** So there is a case that in some ways this uncertainty is at a new low after this. So that's a case the marketplaces might do better, right?

**Levitt:** Right, so those insurers know that the ACA is here to stay. But what they don't know is what the administration might do to undermine the law or allow it to collapse. This is a program that has to be operated for it to succeed. So, for example, for insurers to be profitable in this market, there has to be active outreach to bring in new customers. The Obama administration was active in doing that outreach, including the president himself. It's hard to imagine President Trump going on "Between Two Ferns" to encourage young people to sign up for health insurance through the ACA.

**Politico:** So you mentioned the cost-sharing subsidies to undermine Obamacare. What other tools can the Trump administration use to undermine it?

**Levitt:** The individual mandate, as we heard recently from the Congressional Budget Office, is key to keeping insurance markets stable. And the Trump administration has a lot of administrative authority to undermine the individual mandate. They could grant waivers to large groups of people because they could lead to hardship under the individual mandate. They could announce they're not going to enforce the penalties under the individual mandate, so there could be an open invitation for people to flaunt it. You know, it is the individual mandate that is the stick to try to get young, healthy people to sign up to balance out the sick people who know they need insurance.

**Politico:** So when you were looking at the disagreements that sank the bill, did you think there were any kind of creative workarounds or middle-ground options that you thought people had left unturned?

**Levitt:** There was this idea of a stability pool—the hundred million dollars in grants to states that would go a long way toward keeping some markets that are now fragile. That hundred-million-dollar pool could go a long way toward stabilizing fragile markets around the country. This was the kind of thing that Republicans in the past called a bailout to insurers, but was a part of their own bills. It's hard to imagine any congressional action at this point to shore up the ACA, but a grant pool like that could shore things up.

**Politico:** So what problem would that get around?

**Levitt:** So, by and large, insurance markets are stable under the ACA, but insurance risk is pooled at the state level, and there are some states where the markets are fragile, where premiums have increased substantially and in some cases, enrollment has started to drop. These markets are still well short of a death spiral, but there could be bigger premium increases to come in these places. And a pool of money that states could use to help cover the cost of a very expensive and sick people could help stabilize those markets. This is what I think people will be watching for in how the Trump administration responds. For example, in Tennessee, which is one of those markets that's fragile, [the insurance company] Humana recently announced it is pulling out, and it will leave a number of counties in the state with literally no insurers participating. Now, under the Obama administration, there would be a lot of jawboning going on to try to get an insurer to offer coverage there—it's not clear that will happen under this administration. That happened in Arizona this past year when there was a risk there might be no insurers participating.

**Politico:** So let's say the Trump administration pulls out all of its tricks and goes after Obamacare. Do you think it could collapse?

**Levitt:** The worst case is there are parts of the country where there are no insurers offering coverage, and that could certainly happen, but it's not going to be the case in the vast majority of the country. I don't think that in the vast majority of states there's a risk of collapse. But things could absolutely get worse, with fewer people enrolled and premiums rising faster.

That's insurance markets, but with Medicaid—the Medicaid expansion continues as long as states continue to get federal money.

**Politico:** Would there be a Trump way of undermining the Medicaid expansion?

**Levitt:** Not so much undermine, but the Trump administration has already signaled it would grant waivers to states that want to experiment more broadly with how they run the Medicaid programs. So things like work requirements, things like requiring more low-income people to pay premiums to enroll in Medicaid. I think those are likely to change.

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## Why Democrats Should Help Trump Fix Obamacare [Back](#)

By Timothy Stoltzfus Jost | 03/27/2017 05:13 AM EDT

President Donald Trump's first reaction to the implosion of Republican efforts to repeal and replace the Affordable Care Act was to blame Democrats—never mind that he never asked for their help, or that the process was designed explicitly so that no Democrats' votes were needed.

His second reaction, however, was more troubling: He [warned](#) that "Obamacare will explode," expressing his desire to let the system set up under the health-care law to collapse of its own accord.

It's a threat we should take seriously. Unless the Trump administration takes immediate steps to affirm its renewed commitment to stabilizing the individual health insurance market, the president's warning could come to pass.

Trump is the president of the United States now. He is responsible for the well-being of 330 million Americans. It will not do simply to say that the demise of the individual market, if it happens, will be the fault of Democrats or of the ACA itself. The voters know who is in office and is thus responsible if the market collapses and they lose their insurance.

In any event, the individual market [was stabilizing](#), not collapsing, heading into 2017, as the Congressional Budget Office affirmed. In the complicated world of health insurance, the term "death spiral" has a specific meaning, and we are not there yet—the ACA's premium tax credits ensure that health insurance will be affordable for most exchange enrollees even if markets tend toward older, less healthy people. But Trump must take action now to ensure that insurers do not flee the individual market for 2018, particularly given the confusion the administration has created over the past two months.

It would be prudent to take no chances. [More than 20](#) million Americans with individual insurance will lose coverage if the market collapses, and their financial security and, in many cases, their lives are at stake. These include not just those covered by the ACA's exchanges, but also millions of farmers, ranchers and self-employed people who get coverage through the off-exchange market. They must not be abandoned.

The administration should take steps immediately that it can take administratively without legislation to protect the market, including:

- **Continued funding the cost-sharing reduction payments at issue in *House v. Price***, making full payment to insurers for the money still owed them for 2016 under the ACA's program for reinsuring high cost-claims, and settling the insurer lawsuits challenging the failure of the government to make risk corridor payments due insurers who lost money insuring consumers through the exchanges for 2014 and 2015. These are technical issues, but they involve billions of dollars in commitments that were made by Congress to insurers through the ACA. If the administration drops the defense of [House v. Price](#), for example, insurers will lose \$9 billion owed them for 2017 for reducing deductibles and out-of-pocket limits for 6 million low-income consumers covered by the exchanges. Insurers are very unlikely to return to the market for 2018 if these commitments are broken; some may even try to leave for 2017.
- **Pursuing initiatives to ensure market stability.** The administration has proposed [revisions](#) of current rules to this end, but some of these are ill-advised. Pending proposals to reduce the length of time consumers will have to enroll in the individual market for 2018 or to increase the paperwork burden consumers face in enrolling mid-year when they lose other coverage would discourage healthy people from enrolling and do more harm than good. Supporting state efforts, like Alaska's, to reinsure individual market insurers for high-cost cases, can make a real difference for reducing premiums, while fully funding the enrollment efforts of HealthCare.gov can help maintain a vital individual insurance market.
- **Enforcing the individual mandate.** Like it or not, the mandate remains our primary means for encouraging healthy as well as unhealthy people to enroll in coverage. The CBO [report](#) on the Republican repeal plans projected that repealing the mandate would have increased the number of the uninsured by 14 million in one year. The administration has communicated mixed messages as to whether the mandate will be enforced or not. It now must say clearly that the mandate remains the law of the land, and will be enforced.

The demise of the Republican plan also could open the door for bipartisan efforts to rescue the individual market. Don't laugh; it's possible. Few noticed the almost unanimous bipartisan approval by the House last week of a [bill](#) partially repealing the McCarran-Ferguson Act, which has long exempted certain anticompetitive actions of health insurers from the antitrust laws. Not enough was attention given, either, to aspects of the Republican American Health Care Act that Democrats should support. These include:

- \$100 billion over the next decade for funding for state market stabilization efforts, particularly reinsurance programs;
- Tax credits to help middle-income Americans who must purchase health insurance in the individual market afford coverage. As the conservative health-care analyst Avik Roy has [proposed](#), these should be combined with means-tested tax credits to make insurance affordable for both lower- and middle-income Americans. Democrats could also

consider more generous treatment of health savings accounts for middle- and upper-income Americans coupled with continued protection of cost-sharing reduction payments for lower-income Americans.

- Repeal or delay of the widely disliked tax on employer-sponsored "Cadillac" health plans;
- Repeal or delay of the ACA tax on insurance coverage, coupled with assurances that the cost-savings insurers receive would be passed on to consumers; and
- Repeal of the employer mandate, which has created a tremendous amount of paperwork for employers but offers largely illusory protection for employees.

[Bipartisan support](#) should also be available for taking steps to control the growth in pharmaceutical costs, one of the [biggest drivers](#) in increased insurance costs. President Trump has repeatedly said he'd like to help bring drug prices down, and many Democrats applaud those efforts.

Of course, these initiatives will cost money. But the federal government already provides massive subsidies to older Americans through Medicare; low-income Americans, including children, through Medicaid; and middle- and upper-income Americans through tax subsidies for employer-sponsored coverage (which are alone [expected](#) to cost \$3.6 trillion over the next decade). Until the ACA, only people in the individual market and the uninsured were left out. They need federal government support as much as any other Americans. The ACA offered it, and these supports need to be strengthened, not undermined.

House Speaker Paul Ryan's strategy of passing a partisan bill to gut the ACA failed miserably, in part because he was too attentive to the unreasonable demands of the Freedom Caucus, who spurned him in the end. Why not try something different? On Friday, Senate Minority Leader Chuck Schumer said that Democrats are opening to working with the president to try to fix the ACA. Maybe he was bluffing, but on Sunday, White House Chief of Staff Reince Priebus [acknowledged](#) that Republicans had learned a painful lesson about governing, and signaled a new approach that would "potentially get a few moderate Democrats on board."

After the way Republicans have demagogued and misrepresented the health-care law, most Democrats are in no mood to throw the president a life preserver. But testing whether the White House is serious happens to be the right thing to do—20 million people are counting on it.

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#### **Republicans wonder whether Trump's heart was in healthcare fight**[Back](#)

By Annie Karni | 03/25/2017 03:36 PM EDT

While President Donald Trump's first major legislative push hurtled toward a major defeat, one of his top advisers, his son-in-law Jared Kushner, was photographed with his wife, Ivanka Trump, on a ski gondola in Aspen.

Kushner may not have been the lead White House negotiator on the doomed healthcare bill. But the image of Trump's top consigliere hitting the slopes at perhaps the most critical moment of his young presidency sent a message loud and clear: The White House wanted a win, but health care was not the dominant priority for Trump that it was for the Republican members of Congress who actually had to take a vote.

"Their heart was not in the healthcare battle," said a top Republican who was in meetings with the president and his team but declined to be identified because those conversations were supposed to be private. "Think about the level of intensity on the executive orders for the travel ban, or on the wiretapping claims. He certainly checked the boxes on healthcare, to his credit. But it's self-evident there was not a certain level of intensity devoted to this."

White House officials have insisted that Trump understood that a legislative victory was crucial at this stage of his administration -- he is struggling to boost a 42.2 percent approval rating according to [FiveThirtyEight.com](#), the lowest of his presidency so far -- and that he was lending the full force of his office to the cause.

"The president and vice president left everything on the field," press secretary Sean Spicer wrote in an email on Saturday. "They were making calls and having members to the White House all week. In total, we spoke or met with over 120 members of Congress." And Kushner, other White House officials insisted, was never deeply involved in health care to begin with.

But according to Republican Hill staffers, in the weeks leading up to the doomed vote, Trump's mind seemed to be elsewhere.

The president made it clear at rallies over the past few weeks that healthcare was just something he needed to get through, in order to move on to the next thing. "We want a very big tax cut, but cannot do that until we keep our promise to repeal and replace the disaster known as 'Obamacare,'" he told an adoring crowd at a rally in Louisville last week.

The president also has been distracted in recent weeks by other issues, like questions about possible collusion between Russia and his campaign, and the evidence-free accusation that President Barack Obama had wiretapped Trump Tower during the 2016 election.

The top Republican said that in one healthcare meeting with the president and his top aides in the Oval Office, it was a challenge to keep Trump focused on the health care vote. "Halfway through that meeting, he stopped to talk about Gorsuch," the source said. "His mind was bouncing around. I never felt they were dialed into this."

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Trump gamely climbed to the Hill this week, making a last-minute, full-throttle push for the bill in the final hours -- even devoting his news-driving Twitter feed, uncharacteristically, to the health care fight.

But on the Hill, the president's effort was viewed by Republican operatives as a case of too little, too late. The impression Trump left there, according to multiple sources who did not want to criticize the president on the record, was that Trump didn't know that much -- or care that much -- about healthcare policy. That made it hard for him to go tit for tat with members of the Freedom Caucus and get into the weeds on details of the bill. "There were other distractions they were dealing with," said one top Republican staffer on the Hill.

And after just 64 days in office, the short-attention span president told the New York Times on Friday he was just happy to finally to move on. "It's enough already," he said of the healthcare talks.

Republicans trying to understand what went wrong on Saturday also pointed to the fact that the two lead negotiators on Trump's team, Health and Human Services Secretary Tom Price and Budget Director Mick Mulvaney, were slowed down by delayed confirmations. Price was only confirmed on Feb. 10, and Mulvaney was confirmed a week later, which prevented them from being totally devoted to the health care cause.

The approach of Trump, who sold himself on the campaign trail as a master negotiator who promised that repealing and replacing Obamacare would be "so easy," stands in stark contrast to how his predecessor worked to get the Affordable Care Act passed seven years ago. Former aides to Obama said he devoted the better part of a year working on his healthcare bill, with staffers devoted full-time to its passage.

"Obama's commitment to health reform was passionate and unstinting," said his former top political adviser David Axelrod. "He was moved by people he had met who were working hard and needed care. He had seen his own mother dealing with cancer and grappling with insurance in her final months."

Trump's predecessor in the Oval Office was "steeped in the details of the law and what needed to be done to pass it," Axelrod added. "There were many times along the way that it appeared as if all paths were blocked and the bill would fail, and he simply would not let it die."

Trump defenders pushed back on the notion that the replacement bill failed because the White House didn't care enough. "The problem with the bill was the bill," former House Speaker Newt Gingrich said in an interview on Saturday. He also shrugged off Kushner's ill-timed vacation, and the optics problem of the president's top adviser, who reportedly thought supporting the bill was a mistake, hitting the slopes.

"This is going to be a long eight years, people need to pace themselves," Gingrich said. "This was not a crisis. This was a very important project, which Jared probably thought was under control when he left. The loss of confidence is only three or four days old."

For his part, the president put on a happy face in public and appeared unfazed. On Friday, answering questions from reporters gathered in the Oval Office, he spun the stunning defeat as a victory. "Perhaps the best thing that could happen is what happened today," Trump said. "It will go very smoothly."

On Saturday, he wrote on Twitter: "ObamaCare will explode and we will all get together and piece together a great healthcare plan for THE PEOPLE. Do not worry!" before heading to the links at the Trump National Golf Club in Virginia.

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## **Paul Ryan Failed Because His Bill Was a Dumpster Fire**[Back](#)

By Harold Pollack | 03/25/2017 12:50 PM EDT

The American Health Care Act died on Friday. Speaker of the House Paul Ryan has conceded defeat, declaring in words that must have been painful for him to utter—

"[Obamacare is the law of the land](#)"—as he yanked the bill from consideration. After all, Republicans had spent seven long years dreaming of this moment, only to find that when it came, they didn't have the votes. No one can say whether Friday's face-plant was the last word. Still, this was a defining political defeat for President Donald Trump and the Republican Party.

The most serious damage, though, was to Ryan and his allies. And like you, I'm reading all the insider accounts of what went wrong. By their nature, these stories focus on anecdotes about who said what and when. But make no mistake: This was a failure of policy and legislative strategy—things that were supposed to be Ryan's special sauce—not of tactics. Even if President Trump were the master negotiator he claims to be, he probably couldn't have saved it.

The House speaker is more identified with AHCA than anyone else, and had greater control than anyone else of its moving parts. It was his bill, his plan, his preferred timing. But he produced one of the worst pieces of major legislation in memory—and his reputation as a policy professional and legislative tactician [may never recover](#). Given the opportunity to reshape critical pieces of America's health care safety-net, Ryan might have led an effort to craft a conservative, but incremental bill consistent with President Trump's economic populist rhetoric. He might have proposed more modest cuts on the most needy, smaller tax breaks for the wealthiest Americans, and tried harder to accommodate the needs of Republican governors, interest groups and citizens who rely on the Affordable Care Act in their daily lives.



He didn't. Instead, he and his allies crafted a poorly constructed and radical bill that would sharply cut support to low-income Americans and those with serious health conditions, while enacting big tax cuts for the wealthy. The [payout to the top 400 families alone was estimated to exceed total ACA subsidies in 20 states and the District of Columbia](#). All of this was wildly out of step with American voters—[only 17 percent of whom supported this bill](#)

Every liberal and conservative think tank hated AHCA, albeit for different reasons. Medical provider groups hated it. The AARP hated it—even before the [Congressional Budget Office estimated that 64-year-olds with \\$26,500 annual incomes would see their average net individual insurance premiums go from \\$1,700 to a \\$14,600](#). Republicans tried to patch this up. Too late. This 760 percent premium increase was politically immolating.

This was a baffling error. [Everyone in health policy knew this assessment was coming](#). Did Speaker Ryan or the White House run these numbers? If not, did they understand their own legislation? If so, did they simply hope that no one would find out? Ryan's spin of the CBO report—that it vindicated his argument that the AHCA would drive down costs—was laughable. The real takeaway was that 24 million fewer Americans would be insured, and those that remained would see their premiums increase as their coverage worsened.

What's so baffling about Ryan's failure is that he knows as well as anybody that social entitlements are devilishly hard to take away—because people like them. As the main features of ACA become embedded in American life, overturning it required legislative craftsmanship at the boundary between coalition politics and policy.

That's [the craftsmanship Nancy Pelosi provided in 2009 and 2010](#). She brought together—and kept together—a fractious Democratic House coalition that included coastal liberals wedded to the public option, Southern conservatives in vulnerable seats, committed pro-life and pro-choice members. She cajoled and coordinated major committees to provide common legislative language on a much more complex bill than the AHCA. When Democrats were rocked by Republican Scott Brown's surprising Massachusetts Senate victory, liberal stalwarts such as Barney Frank were faltering, given Democrats' loss of a filibuster-proof Senate majority. Pelosi mobilized livid House Democrats to sacrifice much of their valuable work and pass unchanged the more moderate Senate bill. These members put their trust in her to clean things up as she could through complex accompanying legislation and the reconciliation process.

By comparison, Speaker Ryan's crafting of AHCA was a slapdash enterprise. Republican leaders threw in wild revisions up to the last moment in a vain effort to gain critical votes. Thursday morning brought word that the House Freedom Caucus demanded repeal of ACA's Title I, the parts of the law that protect consumers from the harsh vicissitudes of the insurance markets. But even leading health-care experts were confused by the changes. As Timothy Jost noted at [Health Affairs](#): "This comprehensive a repeal of the ACA would have far-ranging consequences for our health care system that can scarcely be described, much less understood, in the hours that remain before a vote."

The more outlandish the process, the more I wondered whether the game plan was just for the House to pass something—anything—and then let the Senate do the real work. Several insiders told me that the real action would be a totally different Senate bill, and that whatever passed there would become the new law once the House assented.

As the conservative health-care analyst Philip Klein notes, the contrast with Obamacare couldn't have been greater. Well before the Obama presidency, Democratic congressional leaders, interest groups and policy experts prepared the groundwork for the ACA, hammering out messy compromises, aligning House committees, working with presidential candidates Hillary Clinton, John Edwards and Barack Obama, all of whom proposed plans similar to what became the ACA. Then in 2009 and 2010, the House and Senate held dozens of hearings over the course of months, not days, and accepted more than 150 Republican amendments along the way. Learning the lessons of President Bill Clinton's prior failed health reform effort, President Obama let Pelosi and her Senate counterpart Harry Reid take the lead, but he knew the intricacies of the legislation inside and out. Ryan and Trump threw in the towel after just 18 days.

So why did Republicans fail? In a word: insincerity. Republicans had seven years to do their own hard work, to coalesce around a credible conservative alternative to the ACA. They might have used this time to work with Republican governors, to explore which conservative policy ideas seem to stick, which aspects of ACA needed to be retained. They might have crafted a more moderate bill along the lines of the [Cassidy-Collins](#) bill, which would have given liberal states and Republican governors who adopted Medicaid expansion much greater leeway. Or they might have [refined another conservative model](#), such as Avik Roy's modifications to ACA exchanges, to turn ACA's exchanges in a more conservative direction. They might have prepared the American public for whatever plan they chose.

They didn't do any of this, perhaps because they believed they would never have to. Secure in the knowledge that they would face President Obama's veto, Republicans rammed through a succession of extreme repeal-and-replace bills that resembled AHCA's original draft. These bills excited the Republican base, but would have horrified most other Americans if they ever found sufficient reason to look. Then Congressional Republicans suffered what George W. Bush might call a "catastrophic success" with Donald Trump's unexpected victory. They had nothing real to deliver.

Much has been made of Republicans' hypocrisy in trying to ram the AHCA through Congress after complaining so vociferously about the legislative process that produced Obamacare. This hurt House Republicans less than the shoddy content of their actual bill, and the glaring mismatch between their political rhetoric and what their actual policy proposals were designed to do.

Nobody thinks Obamacare is perfect. Republicans from candidate Trump on down exploited real public dissatisfaction with the ACA. Millions of Americans are disappointed that the law didn't do more to reduce burdensome insurance premiums, co-

payments and deductibles. Senate Majority Leader McConnell was fairly typical, knocking the ACA for leaving 25 million people uninsured, and for leaving people in plans where the "[deductibles are so high that it's really not worth much to them](#)" President Trump was aided this election cycle by his [apparent support for universal coverage](#). He vowed to replace the "failing," "horrific" Obamacare with "something terrific."

As [Josh Barro](#), [Ezra Klein](#), and [Matt Yglesias](#) impolitely note, Republicans had no plan or intention to address these complaints. President Trump has not honored his campaign promise. Republican proposals always provided smaller subsidies than ACA does, and would gut one of the key features that makes health insurance risk pools work: cross-subsidies from the young, healthy and prosperous to their older, sicker and poorer peers. Republican plans are designed around higher deductibles and narrower benefits, not to mention more limited Medicaid. The inevitable result is higher costs and more limited access for low-income people and near-retirees, and smaller financial subsidies for people with chronic health conditions. That was the clear intention, but Ryan refused to admit it.

There's one more thing, too. [Seven years ago](#), Democrats were proud of the ACA, even though they knew it wasn't perfect and wouldn't be popular—at least not at first. President Obama [gave a beautiful speech rallying House Democrats before the main ACA vote](#), in which he said they had a rare chance to "vindicate all those best hopes that you had about yourself, about this country, where you have a chance to make good on those promises that you made in all those town meetings and all those constituency breakfasts and all that traveling through the district, all those people who you looked in the eye and you said, 'You know what, you're right, the system is not working for you and I'm going to make it a little bit better.'"

Many Democrats in that room lost their seats. I bet many still tell their grandchildren how they helped to insure 20 million people, about their pride in standing with President Obama. Despite all of ACA's compromises and glitches, there was a largeness of purpose in that room, in that entire effort.

There was a conspicuous smallness to this AHCA effort, a puzzling shoddiness given the human and political stakes. Many in the GOP, above all President Trump, seemed strangely uninterested in the policy details. To the extent Republicans did have an animating passion, it was to puncture President Obama's legacy—and to avoid looking foolish by failing to honor their "repeal and replace" rhetoric.

Only they had no viable replacement. For all their endless warnings about how Obama's signature health law was hurting American families, driving up costs and putting us on the path toward socialism, it turns out they didn't care enough to put in the work.

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**Sanders: Public outcry helped derail GOP health care bill** [Back](#)

By Cristiano Lima | 03/24/2017 09:27 PM EDT

Sen. Bernie Sanders cast the GOP as "out of touch" with the public on health care Friday, citing opposition to the Obamacare repeal and replace efforts at a series of contentious town halls as a driving factor behind Republicans' inability to push through the American Health Care Act.

"I think one of the reasons this legislation went down today is that all over this country we had hundreds of thousands of people coming out to rallies," the Vermont senator told CNN's Anderson Cooper several hours after a canceled vote on the Republican health care bill.

"People began the process of fighting back. We have got to continue that," he added.

Sanders, who panned the Republican bill as merely a tax break for the rich, said that while the rising premiums that have plagued President Barack Obama's signature health care law are an issue, Congress should be focused on improving it, not replacing it.

The former Democratic presidential contender also deflected questions on whether the failed legislative bid constituted a significant loss for President Donald Trump and House Speaker Paul Ryan.

"Nobody really cares that it's a failure of Trump or a failure of Ryan," he said. "What the American people are asking is how does it happen that we are the only major country on Earth not to guarantee health care to all people as a right?"

Sanders, the ranking Democrat on the Senate Budget Committee, also scoffed at the Trump administration's comments lamenting the difficulty of pushing a health care bill through Congress.

"I thought it was rather amusing that a few weeks ago President Trump said health care's really complicated," he said "Well, you know, for those of us who are on the health education committee, those of us who had dozens of hearings and mark-ups, yeah, health care is pretty complicated."

"Nobody knew health care could be so complicated," Trump said on Feb. 28 during a gathering with the nation's governors.

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**What's next after Obamacare's latest brush with death?** [Back](#)

Congress choked. Obamacare lives.

House Republicans are at an unfamiliar crossroads after their seven-year effort to repeal the law collapsed. The direction they and the Trump administration choose will determine whether Obamacare survives, or faces new threats as political opposition continues to simmer and flaws recognized even by its supporters go unaddressed.

Bruised and divided by the repeal push, Republican leaders are expressing little enthusiasm for plotting what, if anything, might come next. "We're going to move on with the rest of our agenda because we have big, ambitious plans to improve people's lives in this country," House Speaker Paul Ryan said Friday after pulling the bill before it went down to a humiliating defeat.

Here's what the future could hold for a law that just won't die after more than 60 Republican repeal votes, four national elections and multiple Supreme Court battles.

### **Trump: Let it implode**

President Donald Trump has often said he'd be perfectly happy to let the law implode — and blame the Democrats.

"The best thing we can do politically speaking is let Obamacare explode — and it's exploding right now," Trump said Friday. "It's imploding and soon it will explode."

Republicans could take several steps to hasten, if not force, such an explosion. They won a lawsuit last May seeking to stop the law's cost-sharing subsidies that help low-income enrollees pay their out-of-pocket costs. Those payments were allowed to continue pending an appeal. They could decide now to end those payments, which would likely prompt insurers to flee the individual insurance market.

And even if the unpopular mandate requiring most Americans to have insurance remains as a matter of law, the administration could stop enforcing it. The individual mandate is a pillar that keeps the insurance markets stable - weakening it could provoke a crisis that forces Congress to respond with a drastic health care overhaul.

But those would be risky, high-stakes plays. While Trump has expressed confidence Democrats will bear the blame for a collapsed health care system, Republicans could get caught in the backlash if they take explicit steps to bring down Obamacare.

### **Claim ownership and fix it**

House Speaker Paul Ryan told lawmakers they had one shot at repealing Obamacare. When that foundered, he acknowledged, "We're going to be living with Obamacare for the foreseeable future."

For some in the House, that means the mission is over.

"We tried. We tried our hardest. There were people who were not interested in solving the problem," said House Energy and Commerce health subcommittee Chairman Michael Burgess, who is also a physician. "We're done with this."

But now that it's on the GOP's watch — and voters may hold them accountable for its problems — Republicans could decide grudgingly to work to shore up the individual insurance market that even Obamacare supporters acknowledge need fixes. The first urgent task would be for the White House and Republicans to resolve the question of funding the cost-sharing subsidies that insurers offer low-income Americans.

They'd also have to take a new look at how and whether they can lure companies back into a market they've said for months is on the brink of collapse.

The administration has already taken small steps to do that, including shortening the sign-up period and cracking down on enrollees who miss their payments. But insurers may need greater assurances that the administration is committed to keeping the system intact and willing to explore new ways to attract younger and healthier people to offset the costs of the older, more expensive individuals who account for the biggest share of enrollees.

### **Adopt Obamacare — but paint it red**

Republicans have a lot of ideas for how the health care system should look. They could use regulatory authority to develop some of them even if Obamacare remains on the books.

Health and Human Services Secretary Tom Price has pledged to unwind many regulations and give states more freedom. He and CMS administrator Seema Verma have already signaled plans to rewrite coverage rules and allow states to impose work requirements on low-income Americans covered under Obamacare's Medicaid expansion, for instance.

They could also relax the rules of the road for insurers that sell plans through HealthCare.gov. One option would be to loosen oversight of the package of benefits the ACA requires. Republicans say not everyone wants to have to buy all those health services, which drive up premium prices.

Whether Price will move ahead with such aggressive actions after the stunning rebuke on Capitol Hill is unclear. That failure came about in part because some Republicans were worried about people losing their health care. So Price won't have a repeal-hungry Congress to back him up.

The department could also easily throw out rules requiring plans to offer contraceptive coverage at no additional cost to consumers. That won't topple Obamacare but it would be a big change politically.

### **If at first you don't succeed...**

Some Republicans promised on Friday they would keep trying to repeal Obamacare, reiterating warnings about the law's imminent collapse that they've used in the past.

"If you buy a car and it's a lemon and now you own it and try to fix it, it won't be fixed," said Rep. Tim Murphy (R-Pa.), a moderate who threw his support behind the bill after winning \$15 billion in funding for services like mental health care and maternity coverage. "The blame goes to the one who made the car."

It's too soon for any clear road map, but conservatives eager for a simple repeal of Obamacare could eye a measure like the one House Republicans passed in 2015. Once that goal is fulfilled, they say, they can start in on a separate replacement measure.

"Sometimes you've got to take a couple shots at something to get it," said Rep. Scott Perry (R-Pa.), a member of the Freedom Caucus, before Ryan pulled the bill. "I'm confident that what I'm going to do is do everything I can to repeal and replace the ACA."

### **Work with Democrats — and push choices to the states**

Given the mood on Capitol Hill right now, it's hard to see any opening for bipartisanship. But Trump himself told the Washington Post Friday afternoon that he wanted to work with Democrats - right after he ranted about Obamacare's implosion.

"When it explodes they [Dems] come to us and we make one beautiful deal," he said.

Democrats have always said they're willing to work with Republicans on health reforms and fixes - as long as they don't resemble anything close to the end of Obamacare.

Lawmakers may also look for ways to shift more of the responsibility — and choices — to the states.

Sens. Bill Cassidy (R-La.) and Susan Collins (R-Maine) have a middle-of-the-road plan that would let states opt to keep Obamacare if they like it, or move to a brand new system. It didn't get any traction when House Republicans were full bore on repeal — but the moment could come, in the future, for a second look.

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### **Trump gets tamed by Washington [Back](#)**

By Shane Goldmacher and Josh Dawsey | 03/24/2017 07:43 PM EDT

Donald Trump crowed for months he would strike a "terrific" deal on health care. His ambitions ended in a brief phone call Friday afternoon, in which Speaker Paul Ryan told him the truth: He was nowhere close.

The businessman president, who sold himself to tens of millions of disillusioned voters last year as the only outsider who could tame a broken capital, ended his first confrontation with lawmakers overmatched, outmaneuvered and ultimately empty-handed.

"We learned a lot about some very arcane rules," Trump said in the Oval Office soon after the defeat of his effort to undo President Obama's health care law.

It was actually the most basic fact of Congress that set Trump back: the majority rules. And despite a 22-seat margin for error in the House, Trump had proved unable to corral support for a plan to repeal the law, one of Trump's key campaign pledges.

His failure to advance legislation through a single chamber of Congress controlled by members of his own party — despite it being a cornerstone of the Republican agenda for more than half-decade — casts doubt both on Trump's much-bragged-about dealmaking skills and the GOP's path forward.

"It's a black eye for the speaker and the president," said Scott Reed, the top strategist of the U.S. Chamber of Commerce, which supported the measure.

The setback, described in interviews with multiple senior administration and congressional officials, was especially humiliating because Trump was sunk not by Democrats but by his inability to ride herd over the same rebellious element of the Republican conference that previously bucked Speaker Paul Ryan's predecessor John Boehner out of his job. Most House Republicans have never served in the majority under a Republican president and it's unclear how in the future they



will cobble together a governing coalition.

"The Republican Party is still operating as an opposition party," said Josh Holmes, a former chief of staff to Senate Majority Leader Mitch McConnell, who added, "If they can't break the fever...it says an enormous amount about the prospects of tax reform, infrastructure and some sort of immigration proposal."

Trump himself seemed almost relieved to move on from the health care fight, even as other White House officials were fretting about the long-term implications of what one senior White House official called a "clear embarrassment for us."

The president himself wasn't nearly as upset about the health care defeat as he was about the size of his inauguration crowds, Attorney General Jeff Sessions' decision to recuse himself from the investigation into Russia's meddling in the 2016 election or the repeated legal setbacks on his travel-ban executive order, which has been blocked by multiple courts. "No bullshit, I think he's actually pretty comfortable with the outcome. He wants to move ahead and do taxes," another senior White House official said.

But tax reform — which no president or Congress has been able to tackle successfully for more than three decades — is no easy task, especially as Republicans had banked on deficit-cutting from any health package to give them a financial cushion in that endeavor. "Yes," Ryan conceded Friday, "this does make tax reform more difficult."

For weeks Trump had seemed disinterested and disengaged from the specifics of the health care fight, both behind closed doors with his aides and [at public rallies](#). Trump "just wanted to get something he could sign," said one adviser who talks to him frequently. "He was over it." He would often interrupt conversations on the law to talk about other issues, advisers and aides said.

In one phone call with Ryan earlier this month, Trump told the House speaker that he had a problem with the bill. It wasn't over Medicaid expansion, maternity coverage, deductibles or insurance premiums. Rather, it was that he didn't like the word "buckets"—which Ryan had been using to describe the parts of their plan.

"I don't like that word buckets. You throw trash in buckets. I don't like that word," Trump said, according to two people familiar with the call. Trump preferred "phases." Ryan agreed and adopted the term.

It was the kind of messaging detail Trump focused on during the campaign, when he described his plan as "repeal and replace — with something terrific." But by February, Trump confided to a group of the nation's governors visiting Washington D.C. that undoing Obamacare would be more involved. "Nobody knew healthcare could be so complicated," he said.

In the closing days of negotiations, Trump found himself stuck in the middle of an ideological tug-of-war between the two factions at the extremes of a deeply fissured House Republican conference — with every concession offered to the hardline House Freedom Caucus driving away votes from the moderate Tuesday Group, and vice versa.

The arguments for the legislation from the White House were political. "This is your chance," press secretary Sean Spicer urged lawmakers on Friday hours before the bill died. The arguments against it were based in policy, where Trump was less comfortable.

When Trump trekked to Capitol Hill to make his case in person on Tuesday, lawmakers were mostly nonplussed. "Not a whole lot about health care, except to vote for it," Rep. Walter Jones, R-N.C., said afterward. He remained opposed.

Other lawmakers said Trump wasn't at all conversant in the specifics and mainly wanted to talk about his popularity in their districts - or how voting against the proposed bill could hurt them politically. But the proposed law ended up polling below 20 percent - and the president's approval rating dropped below 40 percent.

Short the votes, Trump trotted out one of his favorite deal-making tactics late Thursday to seal the deal: the ultimatum. All House Republicans were told by Trump's top lieutenants that the bill was take-it-or-leave-it proposition, and their only chance to get rid of Obamacare.

In the days and hours leading up to a vote that looked bleak, the White House did little to tamp down expectations. "He is the closer," Spicer labeled Trump.

Trump pushed hard for a floor vote up until the final minute. Senior administration officials maintained deep into Friday afternoon that they wanted the roll call "to make them vote against the president on live TV," in the words of a third senior White House official.

"We are voting," this person said, 45 minutes before it was called off.

It was straight out of Trump's *The Art of the Deal* playbook, where he wrote simultaneously about boldness and maintaining a willingness to retreat. "I never get too attached to one deal or one approach," Trump wrote. "For starters, I keep a lot of balls in the air because most deals fall out."

That might work in the real estate business, where there's always another property to develop, or another contractor to hire. But it backfired in Congress, where time and political capital are not unlimited, where the last deal impacts the next and where there is no alternative set of lawmakers to whom Trump can pitch his next demands.



The setback could also shake up the internal dynamics of a White House, where infighting among rival factions has become the norm. Some pointedly noted that Trump's son-in-law and senior adviser, Jared Kushner, spent the run-up to the vote in Aspen. Some pinned blame on chief of staff Reince Priebus, who is close to Ryan and had been expected to help Trump navigate the complexities of Capitol Hill. Others faulted chief strategist Steve Bannon for failing to mobilize his former company, Breitbart News, on behalf of the bill, or to corral hardliners on the Hill.

Indeed, the blame game began even before the vote was called off. "This is 100 percent a Ryan failure," said the third White House official. While Trump wasn't upset with Ryan, multiple senior officials said, a number of his advisers and aides were trashing the speaker before the vote - and Ryan told others he expected to get the brunt of the blame.

By midday Friday, the health care bill was hemorrhaging support, as the powerful chairman of the House Appropriations Committee came out against the bill. Ryan came to the White House to brief Trump on the bleak outlook.

But even as Trump and his top advisers wanted to forge ahead, they were showing sign of worry. Spicer no longer embraced the term "the closer." GOP leadership pushed to drop what was now seen as a kamikaze mission. And a little after 3 p.m., Trump talked to Ryan again — the two had a 45-minute conversation late Thursday night about the law.

"He talked to Paul Ryan for a few minutes, who said he was at least 10 and 15 votes short," one of the senior White House officials said. Ryan said he planned to pull the vote unless Trump objected, and Trump said he was OK with that.

Ryan explained soon after what it meant to a national television audience: "We're going to be living with Obamacare for the foreseeable future."

Trump got off the phone, scribbled down some notes and dialed up reporters to give his side before the full White House staff was even briefed. The president was most focused on the news coverage and how it reflected on him, as he had been throughout, telling advisers how much the criticism of the law on TV bothered him.

In the Capitol basement after the vote was cancelled, Republican lawmakers were gathered to hear what came next. The Rolling Stones refrain Trump often played at his rallies was playing in the background: "You can't always get what you want."

*Tara Palmeri and Jake Sherman contributed reporting.*

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## **Ryan wounded by health care fiasco** [Back](#)

By John Bresnahan and Rachael Bade | 03/25/2017 07:10 AM EDT

The painful public collapse Friday of Paul Ryan's biggest endeavor as House speaker — legislation to unwind the Democratic health care law he and his party spent years castigating as a disaster — dealt a serious blow to the Wisconsin Republican.

But as embarrassing a setback as this was — Obamacare is here to stay "for the foreseeable future," Ryan conceded — he isn't going anywhere.

No one is prepared to challenge Ryan for his job, said GOP lawmakers from across the Republican Conference. While some right-wing media and outside groups are agitating to replace the speaker, and his antagonists on the White House staff needle him anonymously in the press, there is no way he will be ousted.

President Donald Trump hasn't turned on him, either — at least not yet. And Ryan remains popular with his rank-and-file members, who genuinely like him. Critically, Ryan is not a liability for them back home, the ultimate litmus test for any congressional leader.

Yet the debacle over the American Health Care Act showed how the promise of Ryan as speaker has failed to live up to the reality.

When he took over for former Speaker John Boehner in November 2015 following an uprising by conservatives, Ryan was seen as the one figure who could heal the divisions within the GOP Conference, especially with the hard-line Freedom Caucus. That hasn't happened, to put it mildly.

Ryan is still struggling with the same stubborn political dynamic that torpedoed Boehner's career. On big issues, if Ryan gives into the Freedom Caucus, he alienates more moderate members of his party and loses any ability to work with Democrats. If he tries to cut a deal with Democrats and his own moderates, the Freedom Caucus goes ballistic, attacking him in tandem with its allies in right-wing media and conservative outside groups.

It's a lose-lose proposition.

Having a Republican in the White House was supposed to finally tame the group. It was easy to blow up deals Republicans were attempting to cut with Barack Obama; Donald Trump, the thinking went, would never tolerate it. The health-care debate showed how wrong that was.

So Ryan remains stuck in the same intra-party dysfunction.

"He's a really nice guy, a really smart guy," said a veteran GOP lawmaker who asked not to be named. But "he can't seal the deal, which is a real problem."

Even with Trump, the "ultimate closer," in the White House.

Things won't get any easier for Ryan. He will now have to find a way to deliver on Trump's border wall, which Democrats have vowed to block. The possibility of a government shutdown looms in late April and again in October unless Republicans can figure out how to keep funding going. The debt ceiling has to be increased this summer, always a tough vote for GOP lawmakers. An expensive infrastructure package that conservatives hate will require Democratic buy-in.

That's to say nothing of the next daunting item on the GOP to-do list, tax reform — arguably tougher to pull off than health-care legislation.

Ryan put his personal prestige on the line to pass his health care legislation, publicly and privately exhorting his colleagues to support it. Ryan became the face of the legislation, figuring he could sell it better than anyone else. In the end, enough of his own members rejected the proposal to bring it down.

After being forced to pull the bill, Ryan deployed many of the same lines he's been using for months to explain away failures or setbacks. Republicans are suffering the "growing pains" of going from being the opposition party to the majority, he said. "Doing big things is hard," the speaker said, adding that Republicans want "to improve people's lives, and we will."

Yet there was also a somber tone. Ryan didn't try to hide from blame, and he warned his own GOP colleagues that they better find a way to compromise.

"I will not sugarcoat it, this was a disappointing day for us ... This is a setback, no two ways about it," Ryan told reporters after pulling the bill from the floor in the face of certain defeat. "All of us, myself included, will need time to reflect on how we got to this moment, what we could have done to do better."

Ryan added: "But ultimately, this all kind of comes down to a choice. Are all of us willing to give a little to get something done? Are we willing to say yes to the good, to the very good, even if it's not the perfect? Because if we're willing to do that, there remains an incredible opportunity in front of us."

Ryan said he didn't "want to cast blame" for who lost health care, but he then went on to blame the Freedom Caucus — which he called "their team" — for bringing down his bill.

"There is a block of 'no' votes that we had, that is why this didn't pass," Ryan said. "Some of the members of that caucus were voting with us but not enough were. I met with their chairman earlier today, and he made it clear to me that the votes weren't going to be there from their team. That was sufficient to have this bill not pass."

Trump, for his part, praised Ryan despite the failure to pass the health care bill, which leaves Obamacare in place as the law of the land.

"I like Speaker Ryan. He worked very hard," Trump told reporters in the White House after the bill was pulled. "I'm not going to speak badly about anybody within the Republican Party. Certainly there's a history, but I really think Paul worked hard."

Freedom Caucus members said they don't blame Ryan for the failure, at least not publicly.

"Paul Ryan, he's a very good man. He's an eloquent speaker. He is an excellent representative of the GOP Conference as a whole," said Rep. Mo Brooks (R-Ala.). "I like the job he's doing and I want him to stay as speaker of the House. And I've heard nothing to the contrary."

Other rank-and-file members were equally supportive as they left town to lick their wounds.

"If you know of someone who cares more, works harder, who's brighter, who's more committed to lead this institution, give me their name," said Rep. Rob Woodall (R-Ala.), a Ryan loyalist. "We go through leaders like we're changing shirts. I don't think it reflects on the leadership, I think it reflects on us."

Yet Ryan faces the prospect for the rest of this Congress — unless he moves decisively to the middle — that members may need to get signoff from the Freedom Caucus and its chairman, Rep. Mark Meadows (R-N.C.), before they move major legislation. Or at least to know that the Freedom Caucus won't try to kill their bill. It's a dynamic that will be a huge challenge for Ryan as he tries to get past the Obamacare reversal.

Both Ryan and Trump emphasized they want to move quickly on to tax reform, although the failure to replace Obamacare leaves them with \$1 trillion less to use for that fight, as there will be less room to cut taxes without ballooning the deficit.

"Yes, this does make tax reform more difficult, but it does not in any way make it impossible," Ryan acknowledged.

But Ryan, a former chairman of the Ways and Means Committee, said it will be easier to get Republicans to agree on taxes than on health care. "I don't think this is prologue for other future things because there are other parts of our agenda that people have even more agreement on what to achieve."

Kyle Cheney contributed to this report.

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## Did the GOP just dodge a bullet? [Back](#)

By Steven Shepard | 03/24/2017 05:24 PM EDT

One aspect of the GOP health care bill seemed settled even before House Speaker Paul Ryan pulled the plug Friday: public opinion.

Polls conducted since House Republicans released the first draft of legislation three weeks ago show little public support for the bill, the surest sign that Americans were not yet on board with the GOP plan. In the most recent survey, a Quinnipiac University poll released Thursday, only 17 percent of registered voters approved of the legislation — far fewer than the 56 percent who disapproved.

By almost every measure — overall enthusiasm for the bill, confidence that it will improve the health care system or decrease costs, support for many individual elements of the legislation — the GOP health care plan fell short among voters even before it was yanked from the House floor on Friday.

Opponents of the bill were far more wholehearted than its supporters, according to all the available public polling. In the Quinnipiac poll, 43 percent of voters strongly disapproved of the bill. By comparison, only 6 percent strongly approved of it.

It was even more striking among independent voters: 45 percent of them disapproved of the bill strongly, while only 3 percent strongly approved.

Thursday's Quinnipiac poll also showed overwhelming opposition to two elements of the bill: cuts to Medicaid funding (74 percent oppose) and zeroing out funding for Planned Parenthood (61 percent). Sixty-one percent of voters believed the bill, if enacted, would lead to fewer Americans with health insurance, and only 12 percent thought the plan would have a positive impact on their own health care.

Few Americans expected the GOP plan to improve the health care system. This week's POLITICO/Morning Consult poll found more voters thought the bill would make the health care system worse (36 percent) than thought the measure would make it better (30 percent). And, by a two-to-one margin, voters said it was more likely to increase health care costs (39 percent) than decrease them (20 percent).

Voters also thought Republicans were moving too fast on repealing Obamacare — a response to the compressed timeline on which Trump and Ryan insisted. This week's POLITICO/Morning Consult poll found a 43-percent plurality thought the GOP was going too quickly — greater than the combination of those who thought Republicans were moving too slowly (18 percent) or going about the right speed (17 percent) on repealing Obamacare.

POLITICO and Morning Consult were the only organizations to conduct multiple surveys since the release of the bill. And while the polls still represented the only surveys to show greater support than opposition for the measure, the trendline was headed in the wrong direction for Trump and the House GOP.

In the initial poll — conducted immediately after the release of the legislation — support for the bill exceeded opposition by a healthy margin: 46 percent to 35 percent. But a week later, voters were more evenly divided, with approval decreasing to just 41 percent, and disapproval ticking up to 38 percent.

But even in the initial POLITICO/Morning Consult poll — which produced the most positive results for the bill of any public poll — there were a number of warning signs. The most popular elements of the proposed legislation, the poll showed, were the ones held over from Obamacare.

Majorities of voters were happy the bill included allowing young adults under 26 years of age to stay on their parents' insurance plans (68 percent) and prohibiting insurance companies from denying coverage to patients with pre-existing conditions (71 percent).

Eliminating the individual mandate that Americans buy health insurance was moderately popular, with half of voters saying it should be in the bill. But the GOP replacement to encourage Americans without employer-sponsored insurance to remain in the market — requiring adults to pay a 30-percent penalty of their premium costs for a year if their coverage lapses for more than two months — was panned by voters: Only 18 percent said it should be in the bill, compared to 64 percent who said it shouldn't.

But perhaps the most salient poll numbers for fence-sitting GOP lawmakers — whether the conservatives of the Freedom Caucus or centrists who represent competitive districts — were the political implications. And the polling offered little upside to back the bill.

Far more voters in the Quinnipiac poll appeared poised to punish members of Congress for supporting the legislation than punish those who oppose or undermine it. Forty-six percent of voters said if their representative votes to replace Obamacare with the GOP plan, it would make them less likely to support their reelection, greater than the 19 percent who said it would make them more likely to vote for their reelection.

Part of that was widespread Democratic opposition to the bill: 73 percent of Democratic voters said it would make them less likely to vote to reelect their member. A 52-percent majority of independents also said it would make them less likely to support their incumbent, likely a red flag for those who represent competitive or Democratic-leaning seats.

But for conservative members in overwhelmingly Republican districts, GOP voters weren't as likely to punish those who defy Trump and Ryan. Roughly as many Republican voters said their members vote on the bill "won't matter much" in their choice at the ballot box, 41 percent, as said it would make them more likely to support their member, 43 percent.

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## Inside the GOP's Health Care Debacle [Back](#)

By Tim Alberta | 03/24/2017 09:39 PM EDT

Donald Trump had heard enough about policy and process. It was Thursday afternoon and members of the House Freedom Caucus were peppering the president with wonkish concerns about the American Health Care Act—the language that would leave Obamacare's "essential health benefits" in place, the community rating provision that limited what insurers could charge certain patients, and whether the next two steps of Speaker Paul Ryan's master plan were even feasible—when Trump decided to cut them off.

"Forget about the little shit," Trump said, according to multiple sources in the room. "Let's focus on the big picture here."

The group of roughly 30 House conservatives, gathered around a mammoth, oval-shaped conference table in the Cabinet Room of the White House, exchanged disapproving looks. Trump wanted to emphasize the political ramifications of the bill's defeat; specifically, he said, it would derail his first-term agenda and imperil his prospects for reelection in 2020. The lawmakers nodded and said they understood. And yet they were disturbed by his dismissiveness. For many of the members, the "little shit" meant the policy details that could make or break their support for the bill—and have far-reaching implications for their constituents and the country.

"We're talking about one-fifth of our economy," a member told me afterward.

Ultimately, the meeting failed to move any votes. Two Freedom Caucus members—Brian Babin and Ted Poe, both of Texas—told the president that they had switched to yes, but their decisions had already been registered with White House vote-counters prior to sitting down with Trump. (Their colleagues didn't appreciate the gesture, feeling that Babin and Poe were trying to score points with the president at their expense.) Upon returning to Capitol Hill, the Freedom Caucus gathered in a meeting room inside the Rayburn office building, discussed Trump's admonitions to them and took another vote. The tally had not changed: Of the group's roughly three dozen members, two-thirds remained opposed, with only five or six of those saying they were "soft" in that stance.

The president had been working on many of them individually in recent days, typically with what members described as "colorful" phone calls, littered with exaggerations and foul language and hilariously off-topic anecdotes. In some cases, the pressure worked. Jim Bridenstine, a Freedom Caucus member and longtime problem for the Republican leadership, agreed to back the bill after conversations with Trump and other administration officials. (It wasn't necessary to remind Bridenstine that he was a leading candidate to become NASA administrator, and would likely hurt his chances by voting against the president.)

But by and large, Trump's first attempt to corral the Republican-controlled Congress—and particularly the Freedom Caucus, a rambunctious, ideologically charged collection of GOP legislators who have long refused to fall in line behind the party's leadership—failed miserably. That failure played a major role in the collapse of the American Health Care Act almost exactly 24 hours after their meeting at the White House, and now, as Trump warned, threatens to paralyze the president's first-year policy agenda and send Republicans into a damaging cycle of intra-party recrimination.

## By and large, Trump's first attempt to corral the GOP Congress failed miserably and threatens to paralyze his first-year policy agenda.

There will be sufficient blame to go around in the days ahead, and indeed, some Trump loyalists are already pointing the finger at Ryan and his leadership team. The speaker, without question, was clumsy in his strategic rollout and far too presumptuous about the legislation's infallibility. But for a president who pledged to break through the gridlock in Washington—and who promoted himself as a peerless dealmaker—the defeat of Trump's first major policy initiative undermines his take-charge image and emboldens his enemies in both parties.

Tom Price, the new Health and Human Services secretary who previously served 12 years in Congress, had assured nervous allies recently that the difference between Ryan's speakership and that of Speaker John Boehner—who was driven from office by the intransigence of the Freedom Caucus—was that unlike his predecessor, Ryan had the backing of a strong Republican president. Mick Mulvaney, Trump's budget director and a former Freedom Caucus member himself, made similar arguments. But faced with his first major test, the president failed—on multiple occasions and on many levels.

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For starters, Trump kept the GOP health care bill at arm's length for more than a week, offering a smattering of favorable remarks but failing to embrace it in convincing fashion. Ryan's rivals on Capitol Hill got the message: The president was lukewarm about the legislation. According to interviews with officials in all three camps—the White House, the Republican leadership and the Freedom Caucus—conservatives saw a schism between Trump and Ryan, and seized on the perceived opening.

Early last week, during a budgetary meeting at the White House, the two leaders of the Freedom Caucus—chairman Mark Meadows and former chairman Jim Jordan—kept diverting the discussion to health care, much to the annoyance of Budget Committee chairwoman Diane Black. When the meeting broke, Meadows and Jordan swiftly sought an audience with the president to discuss Ryan's bill. Trump granted them the meeting, during which the conservatives complained that Ryan was presenting them with a "binary choice"—either vote for the bill that had been introduced, or vote to preserve Obamacare—that was doing the president a disservice. Trump replied that he was open to negotiation and new ideas, and Meadows and Jordan left the White House thinking they had a powerful ally. Ryan's team was less than thrilled at the narrative of a good cop, bad cop routine.

Things went downhill quickly from there. After Meadows visited Trump at Mar-a-Lago, the president's Florida retreat, that weekend to push for conservative changes—capping a week of futile discussions about significantly altering the House bill—Freedom Caucus members were eager to hear from Trump on Tuesday when he arrived at the Capitol. But when he rose to address the GOP conference, the president made it clear there would be no further modifications, and said he expected Republicans to rally around Ryan's bill.

Then Trump made a mistake. After singling out Meadows and asking him to stand up in front of his colleagues, Trump joked that he might "come after" the Freedom Caucus boss if he didn't vote yes, and then added, with a more serious tone: "I think Mark Meadows will get on board."

It was a crucial misreading of Meadows, who has been determined to please both the White House and his conservatives colleagues on the Hill. Upon assuming the chairmanship of the Freedom Caucus earlier this year, Meadows was viewed suspiciously by some of his members who worried that the North Carolina congressman is too cozy with Trump and would hesitate to defy him. Meadows campaigned extensively with Trump last fall and struck up a relationship with White House chief strategist Steve Bannon, who communicates with him almost daily by text. Meadows knew the health care fight would be viewed as a test of his independence from Trump, and the moment the president called him out, he was boxed in.

"That was the biggest mistake the president could have made," one Freedom Caucus member told me. "Mark desperately wanted to get to yes, and Trump made it impossible for him. If he flipped after that he would look incredibly weak."

## That was the biggest mistake the president could have made. Mark desperately wanted to get to yes, and Trump made it impossible for him."

Disappointed with the episode, and with the president's apparent inflexibility, Meadows and other Freedom Caucus members back-channelled with the administration and landed what they thought was an invitation to the White House on Wednesday morning. They hoped for a meeting with Trump and an opportunity to negotiate some major policy changes directly with him. Instead, they found themselves hauled into the less-than-inspiring Executive Office Building for a pep rally with Vice President Mike Pence, chief of staff Reince Priebus, Bannon, and other members of Trump's inner circle—but not the president himself. (As an aside, it's impossible to ignore the failure of Pence, Price and Mulvaney, three former conservative darlings while in the Congress, to sell more of their ideological brethren on this bill.)

Members of the Freedom Caucus realized right away that there would be no negotiating. Pence tried to pump up the conservatives, telling them the fight was theirs to win and that they needed to help Trump and Ryan score a victory for the new administration. The plea landed on deaf ears. "Take one for the team" was a phrase repeatedly deployed; at one point, after Bannon used it, Joe Barton, a white-haired conservative from Texas, snapped back in response that Bannon was talking to them like children and he didn't appreciate it. The room filled with uncomfortable silence; Bannon backed down and the meeting went on. (Barton eventually announced his support for the legislation—one of only a few who would eventually switch positions.) After several hours, the members returned to the Capitol feeling frustrated, calling the meeting "a waste of time" and wondering if they had missed their only window for cutting a deal with Trump.

That night, however, allies in the White House sent word to the Freedom Caucus that one thing they wanted—reforms to the "essential health benefits" provision under Title I of the Affordable Care Act—could be done. Excitement spread in the group, but there was also confusion; some members felt that would be a big enough concession to win their vote, while others felt it was only a step in the right direction. As they sought to clarify their internal disagreements, there was another meeting scheduled for the next morning, Thursday—this one at the White House and with the president himself.

Filled with hope once again, Freedom Caucus members were once again promptly disappointed. This meeting was yet another "take one for the team" seminar. The atmosphere was friendly, and the president had the group laughing with irrelevant riffs and stories of negotiations past, but it became clear, as soon as he made the "little shit" comment, that no serious changes were going to be made, because the president didn't have sufficient command of the policy details to



negotiate what would or would not be realistic for Ryan to shepherd through the House.

Through charm, force of personality and sheer intimidation, Trump did move some votes into the yes column. But GOP leaders were left wondering why he didn't do more—why he didn't send tweets, travel to congressional districts, put his famed dealmaking skills to work. The answer, to Republicans on both ends of Pennsylvania Avenue, is obvious: Because he lacked familiarity with the legislation itself, and thought it was Ryan's job to sell the specifics.

"Trump is a business executive. When he tells his lieutenants to get something done, he's used to it getting done," one senior House GOP aide told me. "He's really not used to getting involved himself."

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**If the bill failed because Trump is a great salesman with a poor grasp of policy,** it also failed because Ryan is a poor salesman with a great grasp of policy.

The speaker has spent decades straddling the worlds of politics and policy, and is infinitely more comfortable operating in the latter. He has dozens of friends around town in the constellation of conservative think tanks, lobby shops, activist groups and media outlets. Knowing that health care was batting leadoff for the new, unified Republican government, it would seem a no-brainer for the speaker to spend a few days, if not a few weeks, meeting with leading voices on the right to introduce the American Health Care Act, answer their questions, accept their criticisms and, most important, preempt any attacks on the legislation itself. After all, as Democrats love to point out, Ryan had seven years to plan for this moment—first as Budget chairman, then as Ways and Means chairman, then as speaker—and if anyone on the right was ready, it ought to have been him.

But Ryan didn't feel such preventative measures were necessary. After days of drafting the bill in secretive locations at the Capitol—and Sen. Rand Paul, a hard-core Obamacare critic, exposing the absurdity by bringing reporters along as he hunted door-to-door for a copy—the text was leaked, and then unceremoniously released, without any clearly coordinated media strategy between the speaker's office and the White House. Conservatives around Washington, including some of Ryan's longtime friends, were stunned. "The bill has had the worst rollout of any major piece of legislation in memory," Rich Lowry, editor of *National Review* and a longtime Ryan ally, [wrote in his Politico Magazine](#) column on March 15.

Back in 2013, when the so-called Gang of Eight had authored its comprehensive immigration reform bill, Sen. Marco Rubio spent weeks making the rounds and meeting with top influencers on the right, taking unlimited time to answer every question and consider every criticism. He talked to journalists, grassroots leaders and academics; he offered himself as a human sacrifice to every prominent voice in conservative talk radio, attempting to neutralize opposition to the bill before it materialized. It never became law, but Rubio did everything he could. It passed the Senate, at least, before dying a quick death in the House—and that was in large measure thanks to having a media-savvy Tea Party darling take the lead and work conservative journalists and opinion leaders.

There was no such effort on Ryan's part, and it showed. (Several allies argued he had done some outreach, but they failed to provide any specific examples.) After he unveiled the bill, leading health care experts on the right like Yuval Levin and Avik Roy trashed it as a poorly conceived mess; conservative pressure groups and their media allies immediately branded it as "Obamacare Lite." Only then did Ryan move aggressively to mitigate the damage. He convened a group of conservative journalists in his office in mid-March and his team began tracking, and publicizing, every media appearance he made, especially promoting his interviews with conservative critics such as Sean Hannity and Laura Ingraham. But it was too little, too late. Loathing of the legislation had already reached a fever pitch and Ryan was powerless to steady the situation. The only thing he could have done to appease the far right—a full repeal of the Affordable Care Act—was not only legislatively impossible but would never pass the lower chamber of Congress. The vast majority of Republicans would have refused to eliminate Obamacare without knowing exactly what would replace it until months or years later.

In dissecting Ryan's lackluster marketing of the health care initiative, both his allies and adversaries in the Republican conference reached the same conclusion: He had taken support for granted. After all, this was essentially the same bill written by Price when he was in Congress; it became the de facto proposal of the House GOP in its "Better Way" agenda, which Ryan argued throughout 2016 was a governing document that his colleagues universally supported. "We all ran on this," Ryan said repeatedly over the past several weeks.

Except that many House Republicans never saw it that way. In fact, some conservatives spent the past year using "Better Way" as a punch line to tease the speaker for convening wonky groups to dream up big policy proposals—but never hold votes on any of them. If there had been committee hearings and floor votes, some conservatives argue, these differences would have surfaced much sooner. "We ran on these principles, but not on this bill," Meadows told me last week. (Meadows was, however, once a co-sponsor of Price's bill in Congress.)

By Friday morning, there were questions about why Trump had kept a distance from the bill for such a lengthy period of time—and how different the whip count might look if he hadn't.

As the reality of the bill's likely defeat set in Thursday, and some members of Trump's team began to assign blame to Ryan—most notably in a [New York Times story](#)—the speaker's allies didn't stand pat. They began subtly, first by calling Trump "the closer," and then by emphasizing that the White House felt confident it would deliver the Freedom Caucus. By Friday morning, there were more overt questions about why Trump had kept a distance from the bill for such a lengthy period of time—and how different the whip count might look if he hadn't.

Of course, leadership officials also were eager to blame the Freedom Caucus, claiming the group simply has no interest in voting yes. But the fact is, after Thursday night's impromptu conference meeting—in which Mulvaney delivered Trump's ultimatum that he would move on from health care after Friday's vote—the number of conservatives still opposed to the bill had dwindled significantly. There were 27 Freedom Caucus members voting no at the beginning of the week; by late Thursday, that number appeared to drop below 20. Jordan, worried that conservative opposition might be crumbling, spent Thursday night and Friday morning whipping his comrades to prevent further defections, members said.

Trump's attempt to cajole the group into submission—tweeting Friday morning about the "irony" of its members opposing abortion but voting against a bill that removed Planned Parenthood funding—didn't work, and probably backfired, just like his singling out of Meadows. I was told the members were slightly irritated but mostly laughed it off as "Trump being Trump," and expressed surprise that he hadn't tried to publicly pressure them ever sooner.

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**All this obscures an uncomfortable question for Republicans** as they ponder how it is that they control both houses of Congress and the presidency, and yet were unable to get rid of a hated law they spent seven years attempting to destroy. Perhaps the problem isn't who deserves the blame, so much as how to solve the puzzle that is the fractious GOP majority—the same impossible physics problem that bedeviled and ultimately doomed John Boehner.

After all, it wasn't just conservatives who sank the AHCA. The Freedom Caucus remains a stubborn problem for GOP leadership, but blaming—or crediting—its members for Friday's defeat ignores the fact that some two dozen moderate and centrist members were also opposed. "There's no natural constituency for this bill," Raul Labrador, a Freedom Caucus co-founder, said throughout the week. He was right. Members care about policy and process, and between the two, there was no clear upside for many of Ryan's members: It left too many people without coverage and failed to drive down premiums; it also was re-written hastily to accommodate changes and felt rushed for no good reason. Ultimately, every concession made to win conservatives, like the amendment that left regulating essential health benefits up to states, was destined to result in the loss of moderates.

## Perhaps the problem isn't who deserves the blame, so much as how to solve the puzzle that is the fractious GOP majority.

In the corridors surrounding the House chamber, the death knell was felt just before 11 a.m. That's when Rodney Frelinghuysen, chairman of the all-powerful Appropriations Committee, announced he wouldn't be supporting the bill. Republican lawmakers buzzed with disbelief as the news spread across the floor. Losing a committee chairman is never a good sign for leadership; the defection of the Appropriations chairman felt like a nail in the American Health Care Act's coffin.

An hour later, two sources—one in the House leadership, one in the Trump administration—confirmed that the whip count was moving in the wrong direction. One of them told me that Ryan was considering pulling the bill from the floor altogether, to prevent a lopsided defeat that would only serve to hand ammunition to Democrats running against Republicans who had been bold enough to vote for the bill anyway.

As I processed this, news broke that Ryan was headed the White House. He wanted to show Trump the numbers and consult him before yanking the bill from consideration. Soon enough the decision was made, and Ryan headed back to the Capitol, calling an all-conference meeting in the House basement.

Walking toward the tunnel that connects the House office buildings to the Capitol itself, I ran into Mark Walker, the chairman of the Republican Study Committee, a large caucus that was once home to the conservative movement in Congress before being eclipsed in recent years by the more ideologically pure Freedom Caucus. Walker had initially been against the bill, but came on board quickly after some changes, and in doing so validated the critiques of his group by those further to the right. A former minister, Walker is by nature relaxed and genteel, but his face was burning red and his voice trembled as we discussed the bill's defeat.

"I'm very bothered. I'm disappointed," he said, measuring his words. "This was a chance to repeal all the Obamacare taxes. It was a chance to take off the burdensome mandate we've stuck on our employers and individuals who have begged for help. It [has] additional pro-life provisions. It destroys the chance to do the biggest Medicaid revision that we've had in what, 51, 52 years? Yeah, I'm bothered by it."

On the opposite end of the spectrum were Meadows, Jordan, Labrador and Michigan Rep. Justin Amash, arguably the four core members of the Freedom Caucus. Moments before I talked to Walker, I had intercepted the four of them walking toward the meeting room. They hadn't heard the news; when I told them Ryan had pulled the bill, they exchanged glances and tried to suppress grins. Only Meadows looked upset; a southern gentleman and successful businessman, he wants to be liked by everyone, and the episode clearly took an emotional toll on him. He declined to provide a comment. So did Labrador and Amash. But Jordan, the godfather of the House conservatives—he arrived four years prior to the tea party wave of 2010—made clear that he wouldn't go along with Trump's decree that Republicans would abandon health care and move on to tax reform.

"We want to see Obamacare repealed," Jordan told me. "That hasn't changed."

Ryan, for his part, told reporters in a somber press conference a short while later that he stood with Trump. Obamacare, that great white whale Republicans had long hunted—and hoped to harpoon on its seven-year anniversary Thursday—would remain "the law of the land" due to the GOP's inability to function as a "governing body," the speaker of the House announced. They had failed at fixing the health-care system; next they would try to overhaul the tax code.

## If you couldn't get health care done, how can you get tax reform done?"

The improbability of this sequence was not lost on anyone. Earlier, as Ryan's motorcade was zipping toward the White House, I spoke with Kevin Brady, the Ways and Means chairman whose committee sits at the intersection of health care and taxes. I've known Brady, one of Congress's truly decent people and a reliably cheerful spirit, for years; never had I seen him looking so despondent and defeated. Positing that health care was about to die, I asked Brady if re-writing the tax code would be any easier. "Tax reform is the hardest lift in a generation," he told me, shaking his head. "So that would be a big challenge."

"If you couldn't get health care done," I ask him, "how can you get tax reform done?"

Brady thought for a moment. "Every Republican is all-in on tax reform. We still have a lot of work. But it's just a natural issue for us in a very positive way."

But every Republican was all-in on repealing and replacing Obamacare, too, I told him. "Won't the devil be in the details?"

Brady stared back at me. "It always is," he said. "It always is."

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**Spicer compares GOP health care bill to a 'bad deal'**[Back](#)

By Madeline Conway | 03/27/2017 03:34 PM EDT

White House press secretary Sean Spicer today likened President Donald Trump's decision to abandon the House Republican proposal to repeal Obamacare — which Trump had supported — to walking away from a "bad deal."

"The president also recognizes that when there's not a deal to be made, when to walk away," Spicer told reporters at this afternoon's daily briefing, describing how the president used his business acumen to make the call on the health care fight. "It's not just about making deals. It's knowing when to walk away from deals and knowing [that] when there's a bad deal, that's the only solution."

The first legislative battle of Trump's presidency ended Friday with the GOP's failure to make good on its seven-year pledge to repeal and replace the Affordable Care Act, former President Barack Obama's 2010 health care law.

Trump had pushed for the Republican replacement legislation and initially demanded a vote on it, but it hemorrhaged support on Friday from both the party's right and centrist flanks, prompting GOP leaders to pull it from the House floor. When he conceded defeat on the measure in the Oval Office on Friday, Trump still praised the failed bill, though he suggested without offering specifics that he thought it could have been improved.

Spicer, though, implied today that Trump believed that passing the legislation would have required deviating from his "vision."

"I think the president understood that where we were, that while you can get a deal at the time, that sometimes a bad deal is worse than getting a deal," Spicer continued. "And I think he smartly recognized that what was on the table was not going to be keeping with the vision that he had, and so he decided that this was not the time and that a deal was not at hand."

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**Kushner to lead new White House office offering business solutions to federal problems**[Back](#)

By Louis Nelson | 03/27/2017 06:56 AM EDT

FHFA-19-0753-A-000043

President Donald Trump's son-in-law and senior adviser Jared Kushner will lead a new White House office tasked with reforming the federal bureaucracy by applying lessons from the business world, Trump is expected to announce Monday.

The office, to be called the White House Office of American Innovation, will be filled with former business executives and report directly to the president, according to [The Washington Post](#), which first reported details of the Kushner-led team.

"All Americans, regardless of their political views, can recognize that government stagnation has hindered our ability to properly function, often creating widespread congestion and leading to cost overruns and delays," Trump said in a statement to the Post. "I promised the American people I would produce results, and apply my 'ahead of schedule, under budget' mentality to the government."

Kushner, who raised eyebrows with his family ski trip to Colorado during last week's ultimately unsuccessful scramble to pass legislation to repeal and replace Obamacare, characterized his new office as "an offensive team" in an interview with the Post. To begin its work, it will focus on opioid abuse, reforming the Department of Veterans Affairs, modernizing technology across the federal government, and working on "transformative projects" that would fit within the president's promised infrastructure package.

"The government should be run like a great American company," Kushner said in his interview with the Post. "Our hope is that we can achieve successes and efficiencies for our customers, who are the citizens."

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### **California governor: We won't 'bring stupid lawsuits' against border wall**[Back](#)

By Rebecca Morin | 03/26/2017 08:32 AM EDT

California Gov. Jerry Brown said in an interview that aired Sunday that California will "fight very hard" against President Donald Trump's proposed border wall, but will not "bring stupid lawsuits" to the table.

During an interview with NBC's "Meet the Press," Brown told host Chuck Todd that "if everything's a lawsuit, yeah, we're in trouble," adding that both Republicans and Democrats like to escalate things and that Brown is "going to keep everything on an even keel."

"I don't like that wall, number one. And to the extent that that violates law, certainly I would enforce that," Brown said in an interview with NBC's "Meet The Press." "We're not going to sit around and just play patsy and say, 'Hey, go ahead. Lock us in. Do whatever the hell you want. Deport 2 billion, 2 million people.' No, we're going to fight, and we're going to fight very hard."

"But we're not going to bring stupid lawsuits or be running to the courthouse every day. We're going to be careful. We'll be strategic," he said.

Brown added that California is going to do the "Christian thing," from his point of view. He went on to bash Trump, who he said is supposed to be "Mr. Religious Fellow," adding that he hopes conservative evangelicals tell the president that undocumented immigrants are "human beings, they're children of God. They should be treated that way."

The Democratic governor, however, said he wants to work with the president "where there's something good."

"I'm not going to just turn over our police department to become agents of the federal government as they deport women and children and people who are contributing to the economic well being of our state, which they are," Brown said.

When asked by Todd about critics who say allowing undocumented immigrants who have only committed small crimes to stay encourages more people to come, Brown said that he has signed a bill that listed over 50 separate offenses where local police should cooperate with immigration services.

"So we're not here to protect criminals. But we do recognize that America's the land of opportunity. All of our parents came here at one time, our grandparents, our great-grandparents, they came here. That's what builds the state."

Brown added that some swing states don't have enough immigrants to build their economy.

"We're building it. And we're the gateway to the Pacific. Right now, more Mexican people are going back to Mexico than are coming. So I think we have to create a human, a decent sense with respect to our immigrants," Brown said. "And maybe I can convince the president that he has to take a more enlightened view."

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### **Trump delivers surprise to California**[Back](#)

By David Siders | 03/26/2017 07:01 AM EDT

SACRAMENTO — California appeared destined for near-Dickensian times after Donald Trump's election. The state had just delivered a landslide winning margin for his opponent and rapidly evolved into the beachhead of the Trump resistance. The irritable president threatened to withhold federal funding from the nation's most populous state.

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Yet in an early turn from that discord, the Trump administration has delivered on three big asks in its short time in office, approving much-needed presidential disaster declarations related to the Oroville Dam crisis and winter storms. The declarations free up what's likely to be millions of dollars in federal aid in more than a dozen California counties.

The approvals don't necessarily represent a thawing between the president and the state that loves to hate to him. Reconciliation on the most partisan — and consequential — issues remains out of reach. But while the federal government has historically approved a large majority of disaster and emergency declaration requests, the process is not immune from political considerations, and previous presidents have made headlines with their denials. The administration's responsiveness to California suggests an opening in Trump's Washington for even the most critical, heavily Democratic states.

"Nothing is all that predictable under the current administration," California Gov. Jerry Brown said when he touched down in the nation's capital this week for his first visit since the inauguration. "So that could be a cause for alarm, but also a cause for some optimism."

Despite his coolness toward California, which delivered a popular vote margin of over 4 million votes for Hillary Clinton, Trump has largely sidestepped opportunities for open conflict with the state. While moving this month to roll back national vehicle emission standards, the Trump administration elected not to immediately seek revocation of a federal waiver allowing California to impose its own, stricter rules — though the administration could still do so following a move by California regulators Friday to impose even stricter state emissions standards.

In talks with Trump officials about the disaster declarations at least, the Brown administration was struck by a lack of politics in the administration's decision making, finding conversations professional and not dissimilar from other administrations.

With a fourth request pending, Brown said after meeting with the Federal Emergency Management Agency's Bob Fenton, "We feel we're in synch with the federal emergency management team here ... and I'm optimistic. I think President Trump cares about helping people in disasters."

Like other presidents, Trump has also appeared to recognize the political opportunity in assisting states. Hours before issuing his first disaster declaration for California, in February, the president used the Oroville Dam emergency to advance his infrastructure agenda.

"The situation is a textbook example of why we need to pursue a major infrastructure package in Congress," White House press secretary Sean Spicer told reporters that month. "Dams, bridges, roads and all ports around the country have fallen into disrepair. In order to prevent the next disaster, we will pursue the president's vision for an overhaul of our nation's crumbling infrastructure."

The Brown administration hopes Trump could prove helpful on infrastructure and water in California, issues with multi-million dollar implications. Brown has called for billions of dollars in roadwork in California and is pushing forward with high-speed rail and a \$15.5 billion Delta water plan.

"I think we'll find a way here in Washington," Brown said. "I can't say we're there yet, but you don't build Rome in a day. You take steps ... I'm here to negotiate, to make friends and to advance the cause of California."

Brown has been unsparing at times in his criticism of the president. He warned before the election that a Trump victory would spell "game over" for climate change, and he has sharply criticized the president on health care and immigration. Joining House Minority Leader Nancy Pelosi and former Vice President Joe Biden on the Capitol steps as recently as Wednesday, Brown tore into Trump for what he called "this fake health care bill."

"This is not about health care reform," Brown said. "This is about disease, death and suffering. Mr. Trump, come down from Trump Tower, walk among the people and see the damage that this latest exercise in raw political power will wreck on the women, the men and the children of this country."

The speech recalled Brown's frequent trips to Washington when he was governor before, castigating Gerald Ford and Ronald Reagan in the 1970s and 1980s and standing out as a reliably partisan critic of Republican administrations.

But that was when Brown, who turns 79 next month, still held ambition for higher office. Now that he does not, his barbs are less frequent, even as other Democratic governors, including Jay Inslee of Washington and Dannel Malloy of Connecticut, raise their profiles with steadfast criticism of the president.

For Brown's purposes of negotiating infrastructure spending and disaster relief, said Bill Whalen, a former speechwriter for GOP Gov. Pete Wilson who is now a research fellow at Stanford University's Hoover Institution, "These matters are not decided by spitballs and tweets lobbed 2,500 miles away. These matters are decided by being in the room and having conversations and coming to something that is mutually beneficial."

He added, "This is not the old Jerry Brown who goes to Washington to beat the drum about running for president. This is the second version of Jerry Brown who has to go to Washington to defend California."

Over four days in Washington, Brown met with the state's Democratic and Republican congressional delegations, and with House Majority Leader Kevin McCarthy, a Bakersfield Republican and close ally of Trump. A McCarthy spokesman said he and his California colleagues urged Trump to approve a disaster declaration for California and that "when discussing issues



affecting California, McCarthy has found that the president has an open ear."

Watching Brown maneuver in Washington from the West Coast, Bob Mulholland, a longtime Democratic strategist in California, said the governor "carefully chooses his words so most politicians he's meeting feel like they've had a good conversation with him."

He said, "It is not his job as governor of California to be the Bernie Sanders of the left."

Yet congressional Republicans have publicly warned that resistance to Trump from the Democratic-controlled state legislature, including a proposal to expand protections for undocumented immigrants, could alienate the president. And at the state Capitol, Senate Republican Leader Jean Fuller criticized Brown for taking "the opportunity to insult the president" in his health care speech instead of "showing appreciation" for his approval of emergency assistance.

"Perhaps at some point the tantrums against President Trump will end and we can focus on building a better California," she said in a prepared statement,

While there will be no accord between Brown and Trump on the federal budget, climate change or health care, Brown is pressing Trump on more provincial matters. Following a meeting with Transportation Secretary Elaine Chao, who this month stalled a \$650 million grant to electrify a commuter rail system in the Bay Area — a major priority of Silicon Valley business interests — Brown told reporters he was "cautiously optimistic" that the project might go forward.

"No, we don't have a deal yet, but I would say that we're opening doors, we're getting ideas that could offer possibilities," he said. "There is some light in the tunnel."

The Trump administration did not extend Brown a lifeline on the project, and it was unclear if the governor will have any success. But John Burton, chairman of the California Democratic Party, said Brown has no better option than to negotiate.

"He's got you by the nuts," said Burton. "What are you going to say, 'Go f--- yourself? You try to do something ... You go in and try to, you know, grab what you can.'"

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### **South Florida congresswoman wants White House to pay Palm Beach for cost of Trump's weekend visits to Mar-A-Lago** [Back](#)

By Sergio Bustos | 03/27/2017 11:35 AM EDT

Congresswoman Lois Frankel says President Donald Trump's trips to his Mar-A-Lago estate have become "a financial burden" in Palm Beach County, and she wants the White House to pay up.

If the Trump administration won't cough up the cash, Frankel's message is clear: the president should stay away from Palm Beach as much as possible.

"If compensation is not assured of being forthcoming, we respectfully ask that you curtail your visits until such time as that matter is resolved favorably to our area," writes Frankel in her letter to Trump, whose Mar-A-Lago estate lies in her congressional district.

The Democratic lawmaker held a news conference Monday in West Palm Beach to tally the Trump tab for police and local fire-rescue services, and dwindling revenue at the local airport. She detailed the bill in a letter to Trump signed by Democratic U.S. Reps. Alcee Hastings and Ted Deutch.

Here's a breakdown of the cost whenever Trump comes to town, according to Frankel:

- The Palm Beach County Sheriff's Department and Fire Rescue have spent about \$70,000 in overtime and more than \$1.7 million to date. The county expects to pony up as much as \$5.8 million by year's end.
- The expected cost locally for the upcoming visit of the Chinese delegation at Mar-A-Lago is pegged at \$280,000.
- The city of West Palm Beach has paid \$60,000 in police overtime to patrol the many pro and anti-Trump protests.
- Stellar Aviation, the company that manages the Palm Beach County Airport, also known as Lantana Airport, reports losing \$170,000 so far because of flight restrictions imposed by the feds whenever Trump visits. Other companies at the airport report they have collectively lost about \$720,000 to date.

"We write to ask your assistance in alleviating the financial burden being shouldered by Palm Beach County, the City of West Palm Beach, and Palm Beach County businesses as a result of your repeated visits to your Mar-A-Lago estate," wrote Frankel.

"During your campaign and presidency, you vowed to make jobs more plentiful and government less wasteful," added Frankel. "We sincerely request that you lead by example."

## What Kevin Brady thinks of Trump's trade agenda[Back](#)

By Doug Palmer | 03/27/2017 05:39 AM EDT

House Ways and Means Chairman [Kevin Brady](#) was still cutting his political teeth in the Texas legislature in 1993 when Congress nearly tore itself apart over the [vote](#) to approve the North American Free Trade Agreement.

But two decades later, he's on the front lines as President Donald Trump prepares to make good on his campaign promise to renegotiate the landmark agreement with Canada and Mexico — or pull the United States out of it.

Trump's NAFTA push is a high-wire act that, as Brady sees things, could determine whether the White House succeeds in its pursuit of a series of bilateral trade agreements, as opposed to regional pacts such as the Trans-Pacific Partnership that the new president abandoned days after taking office. Asked if the pending renegotiation was an important "test case" for the administration, Brady's expression showed his agreement even before the question was finished being posed.

"Oh I think so," Brady told POLITICO in an interview in his Capitol Hill office. "Clearly, the trade world will be micro-examining every comment related to NAFTA."

Few Republicans in Congress agree with Trump that NAFTA was one of the worst deals in trade history. After all, it was negotiated under a Republican president, George H.W. Bush, and approved by Congress with strong Republican support.

But since Trump has walked away from TPP — which included Mexico and Canada as well as Japan and eight other countries — it makes sense for the GOP to push the White House toward modernizing NAFTA rather than killing its second major regional pact.

"I think NAFTA has been extremely beneficial to the United States, in many ways, but there's no question after 23 years it needs to be updated, to say the least," Brady said.

For the Texas Republican, that means finding new ways to expand agriculture, manufacturing and services trade between the three countries, as well as addressing a number of newer issues, such as digital trade and state-owned enterprises, which weren't on any trade negotiator's agenda in the early 1990s.

Trump clearly has a different approach to trade than previous Republican presidents, but Brady praised Commerce Secretary Wilbur Ross and White House National Trade Council Director Peter Navarro for aggressively seeking advice from Congress and other interested parties on three key questions as they prepare for talks with Canada and Mexico.

"What's working for America in NAFTA today? What's not? And what should be included in a 21st century trade agreement?" Brady said. "Those are exactly the right questions."

So far, the Trump administration has laid out only a [bare-bones sketch](#) of its priorities for trade agreements. But Brady said he believed Trump could use NAFTA renegotiation to make good on his promise to bring manufacturing jobs to the U.S. "We have a new economy, much different than 23 years ago, and the potential for greater cross-border trade I think is really kind of exciting," Brady said.

Still, since NAFTA eliminated most duties on trade between Mexico, Canada and the U.S., the Trump administration might be challenged as it tries to make improvements that will generate lots of additional manufacturing jobs.

If the final deal is submitted to Congress for a vote, the U.S. International Trade Commission will be required to do an economic analysis. When the ITC looked at the 12-nation TPP pact, it projected the agreement would boost U.S. employment by just 128,000 full-time job equivalents by 2032, including gains from reforms made by Canada and Mexico.

Brady said he continues to think a regional approach, like TPP, would be more effective than negotiating a series of bilateral deals, but adds that he's willing to give the White House a chance to show what it can do.

"I think the Trump administration feels comfortable that each agreement will build upon the next," Brady said, outlining a process that he sees beginning with a revamped NAFTA and continuing with bilateral deals with Asia-Pacific countries, and potentially a deal with the European Union and, later, the United Kingdom, after it completes its exit from the European bloc.

He downplayed the possibility that other countries would be wary to enter into talks with the U.S. because of Trump's harsh rhetoric, noting that it's still early days. "We wouldn't expect any administration to have their legs under them at this point. So they deserve a chance to begin to put that strategy in place," Brady said.

The veteran lawmaker emphasized he would be pushing the administration to pursue deals with former TPP countries. "We must move aggressively in Asia-Pacific because our competitors like China are moving very swiftly to tie down a regional trade agreement that leaves ... our farmers and our workers and our businesses out," Brady said.

On another question related to NAFTA renegotiation, Brady said he's still not certain a revised package would need a congressional vote, even though the Trump administration is following congressionally mandated procedures to set the stage for that.

"You know, the answer is that's not clear yet," Brady said. "While we have explored some of that, the vast majority of our time has been working with the Trump administration on how to make NAFTA an even better trade agreement."

But the White House, for its part, seems determined to do whatever it can now to make sure it has the necessary support if and when they submit a revised deal to Congress for an up-or-down vote, Brady said.

"What I sense from Secretary Ross is that they're willing to spend the time upfront listening to Congress about what should be in this updated NAFTA agreement because they want to negotiate a good one and have strong bipartisan support when it's ready," he said.

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## **Why Jim Harbaugh Took a Shot at Trump's Budget**[Back](#)

By Daniel Strauss | 03/25/2017 07:12 AM EDT

There was a time when a college coach made news if he took a political stand—and not always welcome news. Think back to Joe Paterno at the 1988 Republican National Convention in New Orleans: "I'll be damned if I'll sit still while people who can't carry George Bush's shoes ridicule him," Paterno said. "After a lifetime of being around great competitors, I know a winner, and I know a leader." The convention crowd ate it up, but back home in Pennsylvania the Democratic governor took a dimmer view. "If you're Bear Bryant or Bobby Bowden or Bo Schembechler of course, for a long time the state had a lot of impact on your funding," says John Bacon, the author of multiple books on the University of Michigan's football program. "So you certainly did not want to get into state politics as a rule."

It's harder these days to keep track of all the legendary names—college and otherwise—mixing it up in the most contentious and unforgiving political arena in memory. Bobby Knight, the surly and argumentative former Indiana University basketball coach, was a favorite surrogate of Donald Trump during the 2016 presidential campaign. Bowden and Lou Holtz, coaching icons themselves, effusively praised Trump throughout the campaign. But active coaches, too, have lost their inhibitions about throwing elbows in the political paint. Duke head coach Mike Krzyzewski, who has tallied the most wins in Division I basketball history, trashed his home state's controversial bathroom bill as "embarrassing." He said this while leading the U.S. men's national team in Rio. Ohio State University football head coach Urban Meyer appeared alongside Ohio Treasurer Josh Mandel, a frequent Republican candidate for U.S. Senate, in an ad highlighting financial investment accounts for Ohioans with disabilities.

And then there's Michigan football coach Jim Harbaugh. Harbaugh, 53, whose political star power eclipses even some members of Congress, is one of the few coaches who has sat down one-on-one with President Barack Obama, dropped in for meetings with half of the Supreme Court and slipped in to a rally on campus where Obama was stumping for Hillary Clinton. Harbaugh has also said he likes Trump for not being "afraid to fight the establishment." Last summer, he found himself in hot water for criticizing San Francisco 49ers quarterback Colin Kaepernick for refusing to stand during the national anthem. He later apologized on Twitter.

On February 28, a couple of weeks before President Trump unveiled his budget, Harbaugh took to his favorite platform with a slightly surprising foray into policy and on an issue that would hardly be considered top of mind even for the wonkiest of Washington insiders: legal aid for the poor. He tweeted: "I hope reports that White House trying to defund Legal Services Corp aren't true. LSC is CRUCIAL to making justice system fair. [#LSCmatters](#)" Obscure though the cause might have been, the tweet got some attention: 2,400 retweets and twice as many likes.

Harbaugh, it turns out, is a part of the leaders council of the LSC (along with baseball great Hank Aaron). The LSC's current budget allocation of \$385 million funds programs that provide legal aid in civil cases—everything from foreclosures and evictions to child custody and restraining orders against an abusive partner—to over 1.8 million low-income people across the country. Harbaugh got on the phone recently to talk about how he got involved in this cause, where he draws the line for coaches when it comes to political engagement, his go-to quote from the Federalist Papers and what he thinks of being compared to Trump and Obama.

**Jim Harbaugh:** I got involved two years ago. Some people say 'Why is a football coach concerned?' I explained I'm an American first and all Americans should care about justice. The idea, as you learn about our legal system, [is] the danger of not being able to have access to justice. From what I can see it's that, if you have money you have access to justice. If you don't, it's becoming increasingly less and less access for low-income Americans and that's the crux of it. I mean, to have a society that has liberty and justice for all, it's right there in the constitution. And LSC is the largest funder of civil legal aid in our nation.

**Politico:** Were you approached to do this?

**Harbaugh:** I was invited to an LSC meeting in Washington D.C. I've attended it each year for the past two years, that's how I became involved. I also attended a meeting in Atlanta last summer on legal aid in Atlanta. I just educated myself on the critical issues and have looked at some numbers and it's an issue that faces all Americans.

**Politico:** What was the response to the tweet when you sent it out?

**Harbaugh:** Mostly positive, varying to some degree of people's awareness. There's issues that people just don't understand. One of the biggest issues that got me most fired up is how fines and fees are being used to punish the poor. I've learned how the devastating effect it can have on lives of low income Americans. I mean across the country 48 states have increased civil court fees since 2010 and they're using those fees to pay for government services and not just courts but roads and generating millions and in some states billions of dollars.

But basically the crux of it is when people can't afford to pay a fine or a fee for things like a speeding ticket or municipal violation then they get additional fees. Late fees can start piling up and these fees can double, triple, quadruple the total amount due and if somebody has an inability to pay that fine that can quickly snowball into a driver's license suspension or driver time. People aren't even able to go to work. So you can't pay a fine or a fee and then you lose your driver's license. You're not able to get to a job, and a lot of people, I mean, they've got to work.

**Politico:** Have you met with President Trump at all since he became president?

**Harbaugh:** No, I have not.

**Politico:** Have you tried pinging Obama also?

**Harbaugh:** Have I talked to President Obama since the election? Yes, I have.

**Politico:** Was that about the LSC?

**Harbaugh:** It was about Michelle Obama's Reach Higher initiative.

**Politico:** What more do you plan to do as the budget process moves forward? Are you going to followup at all?

**Harbaugh:** Yeah...Making people aware of some of these issues is a start. I can hope and I can pray that some of these proposed reductions in funding and even worse elimination won't undercut our nation's civil legal assistance programs and it would threaten our fundamental American commitment of legal justice for all.

**Politico:** Is there a line you try to walk on political issues? There are other high profile coaches who have increasingly begun speaking out about politics.

**Harbaugh:** No, I wouldn't say that. I'm not saying this as a football coach, I'm saying this as an American. I'm for America first.

**Politico:** Well that's a Trump slogan right now—America First.

**Harbaugh:** I wasn't aware of that.

**Politico:** Yeah, he likes saying that.

**Harbaugh:** As [Madison] said in Federalist 51, 'Justice is the end of government, the end of civil society. It ever has been [and] ever will be pursued until it be obtained or until liberty be lost in the pursuit.'

**Politico:** Coach, there are other coaches also who have signaled partisan views. Urban Meyer has appeared in that Josh Mandel video. Do you think coaches are becoming more comfortable weighing into policy or political issues these days?

**Harbaugh:** I don't know. Again, it's not a coaching issue to me. This is an American issue. If I may make a football analogy, we're a team whether we're a football team or community or the United States of America. We are part of a team and I believe the people on that team have a right, but they also have the obligation if there is something that is not good or we don't agree on, to speak about it. And you asked me what I'm doing, I'm speaking about it.

**Politico:** If you had two minutes with President Trump, what would you say to him on this or anything else?

**Harbaugh:** What I said in the tweet. I hope that the rumors that LSC is being reduced or there are some rumors that it's going to be defunded, I hope that those rumors are not true. And please, please study this, please look into it and realize

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that this is a very important issue.

**Politico:** In the past you've appeared at events for President Obama and Clinton on campus and at times you said you liked that Donald Trump is someone who likes [taking on] the establishment. What do you think of comparison?

**Harbaugh:** What do I think of those comparisons? I never like those comparisons. I've never liked comparisons. I've really avoided them like the plague. I feel like somebody always gets diminished when you compare two things or two people or two teams. I really try to avoid them and this is a bipartisan issue. This an American issue and as I said it's about justice, and it's essential. It's simple fairness.

**Politico:** Is there anything in your contract or at the University of Michigan that prevents you from weighing in on political or social media or anywhere else?

**Harbaugh:** I think it's recommended—I work at a public university—to be apolitical. As I've told you before, this is a bipartisan issue. It's an American issue and I'm allowed to be an American.

*This transcript has been edited for length and clarity.*

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## Key pieces of tax reform collide with White House business interests[Back](#)

By Colin Wilhelm | 03/27/2017 05:03 AM EDT

President Donald Trump and some of his most prominent advisers may soon face a high-profile test of how to balance their business interests with public policy as Congress attempts to reform the tax system.

Two of the most fought over aspects of the tax blueprint drafted by House Speaker [Paul Ryan](#) and Ways and Means Chairman [Kevin Brady](#) would directly affect the holdings of Trump and some of his closest advisers, including son-in-law Jared Kushner.

Trump and his aides have said they will separate their business interests from policy decisions. And tax reform — which Republicans say is next on their agenda following Friday's health care blow up — could have major implications for those interests.

Border adjustment, which would tax any good or service imported by a business at a 20 percent rate, is central to the House plan. But the provision is hated by retailers and other businesses that import their goods or materials.

Both Trump and his daughter Ivanka have clothing lines that are imported and would be subject to the tax. Ivanka Trump recently decided to take an unusual non-employee advisory role in the White House, and though her lawyer claims that she has divested from millions in stock, she still owns her clothing line.

In January, Ivanka Trump [announced](#) she would turn over management of her brand to top executive Abigail Klem. Bloomberg [reported](#) she put her brand in a trust, but would keep ownership of the company and get payouts.

The president — who says he has turned his business operations over to his sons — has wavered on border adjustment, seeming to dismiss it at one point and then saying it was still in the mix. How he comes down could decide the provision's fate.

The House plan would also eliminate the net interest deduction for corporate debt, a provision of the tax code frequently used by commercial real estate companies like the Trump Organization and the Kushner Companies, in which Jared Kushner, Trump's son-in-law turned senior adviser, still holds a stake.

Kushner's policy portfolio includes taxes, which he has discussed at length with Ryan in his official capacity as a White House adviser. A source familiar with the nature of the conversations said that Ryan had specifically pitched Kushner on border adjustment.

According to a March 1 filing, Kushner sold millions of dollars worth of investments in venture capital funds and in Signature Bank of New York. But holdings of spouses also fall under the federal conflict-of-interest statute, meaning Kushner will have to avoid potentially providing advice that could benefit his wife's business as well.

"I think it would be very important for [Kushner] to recuse himself from tax issues that affect the real estate industry," said Richard Painter, a former chief ethics lawyer for the George W. Bush White House. "Whether it would be a violation of criminal statute is a gray area."

Painter, who is also one of the lawyers suing Trump for allegedly violating the emoluments clause of the Constitution, said that Kushner could provide broad advice on taxes, but would run the risk of at least the perception of a conflict of interest, if not a violation of laws governing them, if he advises on tax provisions that could specifically affect his own business holdings.

"If the commercial real estate industry is lobbying against it ... he's got to stay away from it," said Painter.



A White House spokesperson told POLITICO, "The Trump administration has not yet taken a position on the corporate interest deduction." The spokesperson did not respond to a request for more information on the status of divestment by White House officials.

Asked about the House tax plan at an appearance on Friday morning, Treasury Secretary Steven Mnuchin said that the administration would not take the House Republicans plan ["as is."](#)

Both border adjustment and elimination of the interest deduction are tradeoffs to allow for immediate expensing of large capital expenditures, like equipment and software, for businesses, as well as an overall lowering of the corporate income tax rate from 35 percent to 20 percent, a longtime goal of Republicans and many business leaders.

A preliminary analysis by the Tax Foundation estimated that eliminating the interest deduction would bring in \$1.2 trillion over 10 years, while border adjustment would bring in \$1.1 trillion over the same period to offset the costs of tax cuts. That makes the provisions central to a tax plan that House Republican leadership doesn't want to run up the deficit.

The Republicans' tax reform math got considerably harder when their plan to repeal and replace Obamacare imploded, leaving their tax blueprint with a \$1 trillion hole.

The tax plan Trump outlined as a candidate last year would keep the net interest deduction and allow immediate expensing, though a business would have to choose one or the other; it could not use both.

The interests of Trump, his aides and his Cabinet in either commercial real estate or private equity, the two industries most strongly against repeal of the deduction, have led lobbyists and analysts following tax reform to quietly predict the demise of a true reform of the tax code.

"The fortunes of the White House were in large part built using that provision," said a Republican tax lobbyist, who asked to speak anonymously due to the sensitivity of discussing Trump's business.

Another Republican tax expert confirmed that it is a "widely held perception" in the tax policy world that Trump would reject eliminating the interest deduction due to the Trump Organization's involvement in commercial real estate past and present.

The New York Times [reported last week](#) that Trump's business is moving ahead with the development of more hotels domestically, projects that might be affected by the loss of the interest deduction. Though the financing for those projects could come from other sources, Trump also has a history of taking on large amounts of debt to build projects, like the Atlantic City casino that led to his first bankruptcy.

Though it's hard to know how much debt the Trump Organization currently owes because it is a private company, Trump's past companies have tended to be highly leveraged by debt — the exact type of company that would see "a significant burden on cash flow," according to a recent report by Moody's Investor Service.

White House push back on key aspects of the House GOP tax reform blueprint could create major friction with Ryan and his congressional allies. After the turmoil that surrounded repeal and replacement of Obamacare, congressional Republicans will want a major economic policy win to campaign on, and tax reform has long been a personal goal of Ryan's.

When asked earlier this month about the White House's reception to eliminating the net interest deduction, Brady said it was "good."

Despite last week's setback on health care reform, Brady remained committed to pursuing a comprehensive overhaul of the tax code rather than just rate cuts. That would make it difficult to jettison border adjustment and eliminating the corporate interest deduction.

"Tax rates alone will not make America competitive," he said.

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## **White House blame game intensifies as Trump agenda stalls** [Back](#)

By Alex Isenstadt | 03/26/2017 05:04 PM EDT

With President Donald Trump's sweeping agenda hitting the rocks as he edges toward the 100-day mark, top aides, political allies and donors are embroiled in a furious round of finger-pointing over who is at fault.

The recriminations extend far beyond the implosion of the GOP's Obamacare repeal on Friday. Senior aides are lashing each other over their inability to stem a never-ending tide of negative stories about the president. There is second-guessing of the Republican National Committee's efforts to mobilize Trump's electoral coalition on behalf of his legislative priorities. At the Environmental Protection Agency, a top official quit recently amid accusations the department is failing to advance the president's campaign promises. And one of Trump's most generous benefactors, Rebekah Mercer, has expressed frustration over the direction of the administration.

This account of White House infighting is based on interviews with more than two dozen Trump aides, confidants and others close to his administration, all of whom spoke on the condition of anonymity. They described a distracting and toxic atmosphere, with warring power centers blaming one another for an ever-growing list of setbacks. The dysfunction has

further paralyzed an administration struggling to deliver on its blunt promises of wholesale change.

The environment, many Trump aides are convinced, has been created by the president himself — a larger-than-life figure famously loath to admit error. As Trump's health care plan ran into problems, he found ways to divert blame — sometimes turning on his own staff.

After Gary Cohn, the chief White House economic adviser, went on [Fox News Sunday](#) this month to talk about the reform push, the media-obsessed president complained bitterly about the appearance, venting that Cohn failed to clearly sell the merits of the plan, according to three people familiar with the matter. (A White House spokeswoman, Hope Hicks, denied that Trump had expressed unhappiness and said he had been "complimentary of Gary's appearance.")

For the new White House, nothing has been more frustrating than health care. Repealing and replacing Obamacare was one of Trump's signature campaign promises. But the discussions surrounding the rocky weeks leading to its collapse generated an outpouring of ill will in the West Wing. Steve Bannon, Trump's populist-minded chief strategist, privately singled out the more moderate Cohn for criticism, charging that he was too willing to make concessions to mainstream Republicans that repelled the hard-line House Freedom Caucus.

Others say the fault lies with chief of staff Reince Priebus. The former RNC chairman was elevated to his current role because he was seen as a savvy Washington operator whose Capitol Hill relationships, particularly with House Speaker Paul Ryan, would help the newcomer Trump. The health care talks, these people say, reveal the limits of his reach.

Still others pinned blame on Jared Kushner, Trump's politically moderate son-in-law and senior adviser. As White House staffers struggled to galvanize support for the flagging health care bill, some became convinced that Kushner was working to defeat the repeal effort. Suspicions increased when Kushner invited Obamacare architect Ezekiel Emanuel to address staffers at a meeting on Monday — a gathering that left some staffers rolling their eyes.

Then, with the legislation teetering, Kushner left town for a two-day ski trip to Aspen.

"It was noticed," one senior administration official said of the Colorado jaunt.

The recriminations, however, were not limited to the health care fiasco. For weeks, many staffers have expressed profound unhappiness with a communications office that has struggled to accomplish what it had set out to do: To inoculate a president who is preoccupied with his public image.

"We've done a disservice because we haven't handled things well," one White House aide said of the press team's performance.

Many Trump loyalists criticize former RNC employees now working in the communications office. Among the complaints: That RNC veterans mobilize with force when reporters are working on critical stories about Priebus, the former party chairman, but sometimes lack the same urgency when responding to articles about Trump.

It has spurred allegations that communications officials, many of whom worked for Priebus at the committee and followed him to the White House, are loyal to the chief of staff above all else.

The ever-present focus on Priebus was on full display during a communications office meeting last month. Press secretary Sean Spicer, a Priebus lieutenant, became so visibly upset over a [story](#) about the chief of staff that some were startled by his reaction, according to a person familiar with the matter. (Sarah Huckabee Sanders, the White House spokeswoman, denied that happened, and dismissed the notion that the press office had taken extra steps to protect Priebus.)

There are also growing complaints being directed at the Trump's political operation, which senior Republicans had hoped would marshal support for the president's agenda. The efforts, however, have been described as halting and ill-planned.

Among the objections: That the RNC erred when it declined to give jobs to a trio of Trump loyalists, Michael Biundo, Christie-Lee McNally and Stephanie Milligan, all of whom had applied for jobs in the political department. Instead, the positions were [awarded](#) to a group of Republican operatives who did not work on Trump's campaign.

The Trump loyalists' deep knowledge of the president's political network could have been an asset, some argue. Adding to the hurt feelings, the three did not receive phone calls informing them that they did not get the positions before the hires were publicly announced.

"If you have people that don't believe in the president, I don't think they're going to be that forceful in protecting the White House," said one former Trump campaign staffer. "There's nothing there to push through the agenda, to push through the Supreme Court justice, there's nothing there to help him with."

RNC officials insist they've taken steps to include Trump veterans. The committee recently hired Brad Parscale, who was Trump's digital director, as an outside consultant.

The White House office of political affairs is another target of grousing. On March 15, Trump visited Michigan, a traditionally Democratic state that he won, to talk about his efforts to revitalize the automobile industry. Yet the Michigan Republican Party was not made aware that the event would be occurring until it was publicly announced, hampering its ability to organize and rally Trump boosters to the appearance in Ypsilanti.

Then there's Trump's official campaign, which on Monday organized a Trump event in Kentucky. The visit was designed to sell the health care bill and to put pressure on GOP Sen. Rand Paul, who had been an outspoken opponent. Some of Senate Majority Leader Mitch McConnell's allies had hoped that McConnell, an outsized figure in Kentucky politics who has a large following in the state, would introduce Trump and make a forceful sell for the legislation.

But in the end, after some back-and-forth between the two sides, it was decided that McConnell would speak at the event but not introduce the president, instead taking the stage about 15 minutes before Trump. While some McConnell aides said it was all much ado about nothing, others close to the senator were surprised by the decision and thought it was a mistake.

"What was the purpose of this event?" said one McConnell ally. "If it were me, I would have had him out there."

"We're two months into the presidency, and it's kind of a cluster," said one state Republican Party official. "It's not that they're bad people. It's just that they don't know what they're doing."

Sniping over Trump's early troubles is occurring at federal agencies, too.

Revitalizing the beleaguered coal industry and loosening restrictions on emissions was a cornerstone of Trump's pitch to blue collar voters. Yet, two months into his presidency, Trump loyalists are accusing EPA Administrator Scott Pruitt of moving too slowly to push the president's priorities.

Earlier this month, David Schnare, a Trump appointee who worked on the transition team, abruptly quit. According to two people familiar with the matter, among Schnare's complaints was that Pruitt had yet to overturn the EPA's endangerment finding, which empowers the agency to regulate greenhouse gas emissions as a public health threat.

Schnare's departure was described as stormy, and those who've spoken with him say his anger at Pruitt runs deep.

"The backstory to my resignation is extremely complex," he told [E&E News](#), an energy industry trade publication. "I will be writing about it myself. It is a story not about me, but about a much more interesting set of events involving misuse of federal funds, failure to honor oaths of office, and a lack of loyalty to the president."

Other Trump loyalists at EPA complain they've been shut out of meetings with higher-ups and are convinced that Pruitt is pursuing his own agenda instead of the president's. Some suspect that he is trying to position himself for an eventual Senate campaign. (EPA spokespersons did not respond to requests for comment.)

The president's biggest donors are pointing fingers, too. Mercer, a philanthropist who has bankrolled the "alt-right" movement that formed the underpinnings of Trump's campaign, had hoped the new White House would adopt an anti-establishment mindset.

Yet in recent weeks, Mercer, who pushed for Bannon to be chief of staff but was overruled, has complained that too many Beltway Republicans were being hired, said one person who has spoken to her. She partly faults Priebus, saying he has used his position to bring a number of establishment allies into the administration.

The White House is also moving to soothe megadonor Sheldon Adelson. The Las Vegas casino mogul has been pleased with many of Trump's early moves, including his decision to tap David Friedman as ambassador to Israel. Yet people close to Adelson say he was alarmed by the administration's decision to retain State Department official Michael Ratney, an appointee of former President Barack Obama who is viewed with suspicion by those in the pro-Israel community. Kushner, who is overseeing Trump's push for a Middle East peace accord, has discussed the matter with Adelson.

As the dust cleared over the weekend from the health care failure, Trump aides dismissed talk of a possible staff shakeup. While they described the president as disappointed, they also said he was ready to move on. After all the pushback the bill had gotten, he'd come to realize that it might not be the right piece of legislation after all.

Yet the blame game is taking a toll on an exhausted White House. At the highest levels of the West Wing, the mood has grown so tense that staffers have begun calling up reporters inquiring whether other senior aides are leaking damaging information about them.

"The various warring fiefdoms and camps within the White House are constantly changing and are so vast and complicated in their nature," said one former Trump campaign aide, "that there is no amount of reporting that could accurately describe the subterfuge, animosity and finger-pointing that is currently happening within the ranks of the senior staff."

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**From:** POLITICO Pro Financial Services <politicoemail@politicopro.com>

**Sent:** Monday, March 27, 2017 5:22 AM EDT

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Morning Money FS, presented by US Chamber Center for Capital Markets: Health freezes over — Ripples across the pond — Carson praises Habitat for Humanity

By Victoria Guida and Aubree Eliza Weaver | 03/27/2017 05:15 AM EDT

**HEALTH FREEZES OVER** — Washington is still reeling from Republicans' failure to repeal and replace Obamacare, the effects of which could bleed into the next fights on tax reform, the infrastructure and financial services reform. Though the full scope of the fallout isn't clear, it underscores that President Donald Trump and House Speaker Paul Ryan have their work cut out for them when it comes to wrangling the House Freedom Caucus for the legislative battles ahead.

**Speaker Ryan's take:** "This does make tax reform more difficult, but it does not in any way make it impossible."

**PIMCO's Libby Cantrill:** "While divisions on tax reform are not comparable to those on health care, Republicans also lack a prevailing view about how to reform the tax code ... Can these issues be reconciled? Of course. But after concessions are made, the likely result is passage of a less ambitious and smaller 'tax reform lite' bill (e.g., less reduction of the corporate rate), not the bold tax reform many have envisioned."

**What does it mean for Dodd-Frank reform?** One MM reader said the health care debacle will embolden Democrats. "It's going to be harder to find bipartisan compromise when Democrats think they can win more just by holding firm," he said. "When you have a weakened president or a weakened speaker, it makes it hard to ram through changes. But changes were going to have to be limited and targeted anyway."

**RIPPLES ACROSS THE POND** — POLITICO's Zachary Warmbrodt: "The Trump administration may be headed for a collision with Europe over a move by congressional Republicans to block the U.S. government's power to take over failing megabanks.

"Critics warn that curbing U.S. authority to wind down big banks could prompt foreign officials to take defensive action in the form of new restrictions on the operations of American lenders abroad to reduce potential risks to their economies." [Read more.](#)

**HUD CHIEF HUDDLE** — POLITICO's Lorraine Woellert: "Housing and Urban Development Secretary Ben Carson praised Habitat for Humanity just a week after President Donald Trump said he wanted to abolish funding that supports the group.

"At the invitation of Republican donors, Carson Friday toured a Habitat site in Pompano Beach, Fla., that by this time next year will need HUD money to deliver its 77 affordable homes to lower- and middle-income buyers. ... Carson endorsed public-private housing partnerships and held up Habitat as an example. 'This project here is one of the things that work,' he said." [Read more.](#)

**WHAT BIZ ECONOMISTS ARE SAYING ABOUT 2017** — Economists from the National Association of Business Economics are expecting 2.4 percent GDP growth in 2017, according to the group's outlook survey out this morning. So, what's baked into the economists' number?

Sixty-four percent percent of the roughly 50 economists polled expect corporate tax reform this year, and 52 percent are predicting individual tax cuts. Fifty-six percent think Trump's infrastructure spending plans will not affect GDP in 2017, but two-thirds expect it by next year. Not included in 2017 forecasts for the vast majority of the economists: a border adjustability provision as part of tax reform and new tariffs on Mexican and Chinese imports. Click [here](#) to read the full survey.

**MOVIE NIGHT WITH MNUCHIN** — Treasury Secretary Steven Mnuchin said at an Axios event on Friday that "The Big Short" and "The Wolf of Wall Street" were "complete misrepresentations" of Wall Street.

He also made an ethically questionable plug for the "Lego Batman" movie, which he helped produce. "I'm not allowed to promote anything that I'm involved in," he said. "So I just want to have the legal disclosure; you've asked me the question, and I am not promoting any product. But you should send all your kids to 'Lego Batman.'"

(I can think of at least one [former trade official](#) who stayed far away from mentioning his ties to a Hollywood film.)

**IT'S MONDAY, MARCH 27** — I'll be your host this week while Ben White is in Miami. What I lack in Ben-level sass, I make up for in terrible puns. I apologize in advance.

Email me at [vguida@politico.com](mailto:vguida@politico.com) and/or follow me on Twitter [@vtg2](https://twitter.com/vtg2). Aubree Eliza Weaver makes her MM debut today; email her at [aweaver@politico.com](mailto:aweaver@politico.com) and follow her on Twitter [@AubreeEWeaver](https://twitter.com/AubreeEWeaver).

**OFF MESSAGE PODCAST: The committee hearing that wasn't:** Everything that Roger Stone did or said he did or said he didn't do during the 2016 campaign, especially related to the WikiLeaks founder and Russia, is under intense scrutiny. In the latest episode of Off Message, Stone gives a faux testimony on the allegations of Russian interference in the election and why there is no proof. Asked if there was anything he discussed that he'd plead the Fifth on if he ever gets called in front of the committee. "No," Stone said. "Why would I?" Listen and subscribe on [iTunes](#).



**THIS MORNING ON POLITICO PRO FINANCIAL SERVICES — Patrick Temple-West: WALL STREET'S SELF-REGULATOR DEFENDS ITSELF FROM CRITICS** — "The CEO of Wall Street's self-regulator, which is under attack from conservatives, on Friday defended the organization's structure but said he welcomes ideas for improvement. In a [speech](#) in New York, Robert Cook, head of the Financial Industry Regulatory Authority, said he is open to considering ways to improve FINRA's model as a 'self-regulatory organization.' FINRA, based in Washington, is the U.S. non-governmental regulator for the stock and bond markets. It oversees about 4,030 firms and more than 638,000 individuals ... ." [Read more.](#)

**DRIVING THE WEEK** — Senate Banking Committee hearing on the role of finance in economic growth at 9:30 a.m. on Tuesday ... Fed Gov. Jerome Powell gives a speech on the structure of the Fed at 4:30 p.m. on Tuesday in West Virginia ... House Financial Services capital markets subcommittee holds a hearing on the Volcker Rule at 10 a.m. on Wednesday ... The U.S. Chamber of Commerce's Capital Markets Summit on Thursday with Banking Chairman Mike Crapo, Acting CFTC Chairman Christopher Giancarlo and CFPB Director Richard Cordray ... Senate HELP Committee votes on Labor secretary nominee Alexander Acosta on Thursday.

**\*\* A message from US Chamber Center for Capital Markets:**Join the U.S. Chamber's Center for Capital Markets Competitiveness this Thursday, March 30, for the 11<sup>th</sup> Annual Capital Markets Summit. Speakers include: Sen. Toomey, Sen. Crapo, CFTC Acting Chairman Giancarlo, Rock Holdings' Emerson, CFPB Director Cordray, the U.S. Chamber's Donohue, Allstate's Wilson, Primerica's Schneider, and Dallas Federal Reserve President Kaplan. Register and download the agenda [here](#). \*\*

**SPEAKING OF ETHICS ISSUES** — POLITICO's Colin Wilhelm: "President Trump and some of his most prominent advisers may soon face a high-profile test of how to balance their business interests with public policy as Congress attempts to reform the tax system. Two of the most fought over aspects of the tax blueprint drafted by House Speaker Paul Ryan and Ways and Means Chairman Kevin Brady would directly affect the holdings of Trump and some of his closest advisers, including son-in-law Jared Kushner. ... 'I think it would be very important for [Kushner] to recuse himself from tax issues that affect the real estate industry,' said Richard Painter, a former chief ethics lawyer for the George W. Bush White House. 'Whether it would be a violation of criminal statute is a gray area.'" [Read more.](#)

**BANKERS BACK TRUMP ON DEREGULATION** — The Washington Post's Renae Merle: "Packed into a ritzy Washington hotel ballroom, a meeting of nearly 1,500 bankers momentarily turned into a pep rally. Be proud of being a banker and of the industry's record profits, the speaker implored the assembled. In fact, he urged, it's time to ask Congress for help so the industry can do even better.

"After spending years humbled by the fallout from the financial crisis, the banking industry is suddenly feeling emboldened. Attendance at the annual association gathering jumped 50 percent this year as bankers sense a rare opportunity with the election of Donald Trump and Republicans' control of Congress to upend dozens of regulations put in place after the financial meltdown." [Read more.](#)

**THE FED AND THE DEFICIT** — The Fed still holds \$1.7 trillion in mortgage-backed securities and \$2.46 trillion in Treasury securities on its balance sheet, it said in an audited financial statement on Friday. The question of when and how the central bank will start to shed those assets is hanging over the economy, but there's a more immediate factor at play here: the government's budget deficit, points out PNC's Gus Faucher. The Fed sent \$91.5 billion to Treasury in 2016, based on interest from those assets.

"Right now the Fed is earning money and sending that money to the Treasury Department, but the amount it's sending is likely to decline," Faucher said. That's because the central bank currently sets monetary policy in part by changing the level of interest it pays to member banks on excess reserves, beyond the level they are required to hold at the Fed. So, as the Fed raises rates, it will pay more in interest to banks and less in money to the Treasury, giving congressional Republicans less money to work with. Last year, the Fed paid \$12 billion in interest to its member banks, up from \$6.8 billion in 2015.

**HERE COMES HAL SCOTT** — Harvard Professor Hal Scott, one of the few publicly discussed names for the top Fed regulatory job that still seems somewhat live, talked with Bloomberg TV on Friday about how financial regulation should be changed. MM has heard a lot of doubts that Trump would pick an academic for the vice chair of supervision slot, but Scott spoke like a job candidate — offering ideas diplomatically. He said the Fed's stress tests should be more transparent and the agency should make sure liquidity requirements don't hurt bank lending, pointing to regulations that require firms "to hold so many government securities." Watch [here](#).

**ALSO FOR YOUR RADAR** —

**IDEOLOGICAL BATTLE: A RECURRING MM SECTION** — POLITICO's Ben White and Nancy Cook: "The fight for the direction of Donald Trump's presidency between the Goldman Sachs branch of the West Wing and hardcore conservatives is spilling into the Treasury Department, threatening Trump's next agenda item of overhauling the tax code. ... Already, critics note that Mnuchin has selected another Democratic donor, Craig Phillips, for a top position within the department." [Read more here.](#)

**U.S. TAX AVOIDANCE TOTALS ALMOST \$200B ANNUALLY** — Forbes' Niall McCarthy: "Tax avoidance costs the world's economies billions of dollars every year. Estimates of the scale of losses fluctuate widely but the IMF believes that somewhere in the region of \$600 billion is lost due to profit shifting every year. A new paper published by UNU-WIDER takes a closer look at the situation at country-level.

"In absolute terms, the United States experiences the highest annual tax losses of any country by far with an estimated \$189 billion unaccounted for every year. That's 1.13 percent of GDP. China comes second with \$66.8 billion while Japan also records substantial losses of about \$47 billion." [Read more.](#)

**PESO SEES GAINS POST-INAUGURATION** — NYT's Jeff Sommer: "Of all major currencies, the one that has strengthened the most since Jan. 20, the day Mr. Trump became president, is the Mexican peso. In his inauguration speech, Mr. Trump pledged to 'bring back our jobs' and 'bring back our borders,' in veiled references to Mexico. Since that day, the Mexican peso has gained more than 15 percent.

"What's startling is that the peso served throughout the presidential campaign as a proxy for Mr. Trump's political fortunes. The connection isn't perfect, but the two have had a very close and extremely uncomfortable relationship. ... That's why the data from the foreign exchange markets is so interesting. The peso isn't being battered these days. It has been getting much stronger." [Read more.](#)

**NORTH KOREA'S PLAN TO HACK GLOBAL BANKS** — NYT's Paul Mozur and Choe Sang-Hun: "When hackers associated with North Korea tried to break into Polish banks late last year they left a trail of information about their apparent intentions to steal money from more than 100 organizations around the world, according to security researchers.

"A list of internet protocol addresses, which was supplied by the security researchers and analyzed by The New York Times, showed that the hacking targets included institutions like the World Bank, the European Central Bank and big American companies including Bank of America. The list of targets, which has not been previously reported, is part of a growing body of evidence showing how North Korea, a country that is cut off from much of the global economy, is increasingly trying to use its cyberattack abilities to bring in cash — and making progressively bolder attempts to do so." [Read more.](#)

**GOLDMAN SACHS IN TALKS FOR EQUITIES LICENSE IN SAUDI ARABIA** — Bloomberg's Dinesh Nair: "Goldman Sachs Group Inc. is in preliminary talks for an equities license in Saudi Arabia as the U.S. lender seeks to take advantage of the country's economic reforms, according to people familiar with the matter. The bank has yet to file a formal application, the people said, asking not to be identified as the information is private." [Read more.](#)

**IRAN HITS U.S. COMPANIES WITH SANCTIONS** — AP's Nasser Karimi: "Iran on Sunday sanctioned what it described as 15 American companies, alleging they support terrorism, repression and Israel's occupation of land Palestinians want for a future state, likely in retaliation for sanctions earlier announced by the U.S.

"The wide-ranging list from an American real estate company to a major arms manufacturer appeared more symbolic than anything else as the firms weren't immediately known to be doing business anywhere in the Islamic Republic." [Read more.](#)

## CALENDAR

No events listed.

*Did we miss anything? Let Morning Money know about future events:* [financecalendar@politicopro.com](mailto:financecalendar@politicopro.com)

**\*\* A message from US Chamber Center for Capital Markets:** Maxine Turner, a Salt Lake City small business owner a Chair of the Chamber's Small Business Council, testified before the House Small Business Committee last week. Telling lawmakers, "new regulations linked to Dodd-Frank have had unintended consequences that limit small businesses' access to capital—consequences that my company has experienced firsthand." Join the U.S. Chamber's Center for Capital Markets Competitiveness on Thursday to hear her story and to learn how Washington can break down these barriers and open the capital flood gate to fuel growth. [Register](#) today! \*\*

To view online:

<https://www.politicopro.com/tipsheets/morning-money-fs/2017/03/health-freezes-over-022036>

## Stories from POLITICO Pro

### Trump, Republicans head for 'too big to fail' bank rift with Europe [Back](#)

By Zachary Warmbrodt | 03/27/2017 05:04 AM EDT

The Trump administration may be headed for a collision with Europe over a move by congressional Republicans to block the U.S. government's power to take over failing megabanks.

Critics warn that curbing U.S. authority to wind down big banks could prompt foreign officials to take defensive action in the form of new restrictions on the operations of American lenders abroad to reduce potential risks to their economies.

At issue is a backup power given to U.S. regulators as part of the 2010 Dodd-Frank law that allows them to manage the failure of a massive global bank without relying on a bankruptcy court to sort things out in a crisis, when the stability of the financial system may hang in the balance.

Republicans want to repeal the so-called orderly liquidation authority, arguing that it will lead to future bank bailouts. Officials in President Donald Trump's administration have discussed targeting the provision with an executive order.

Regulators and banks in the U.S. say such a move would undercut cooperation with the United Kingdom and European

Union.

"The U.K., EU and other countries are going to say, 'We can't rely on you being involved in the process,'" said Michael Krimminger, who was the FDIC's general counsel before advising banks for the law firm Cleary Gottlieb. "The consequences of that could be the raising of barriers to U.S. financial companies in those foreign markets."

The issue will test Republicans' resolve as they move forward to undo a range of banking safeguards, including a reconsideration of the country's relationship with regulators overseas.

Some in the GOP see the warnings of a global rift as an empty threat and feel confident that their anti-bailout argument will prevail.

Big banks themselves are opposed to jettisoning orderly liquidation authority, yet fending off repeal poses a delicate political balancing act since they are well aware of the risks in fighting to keep what critics cast as a taxpayer-funded safety net.

The creation of the authority in the 2010 Dodd-Frank law was part of a global trend after the 2008 financial crisis to give regulators a stronger hand to respond to bank failures. For the U.S., it presented an alternative to bankruptcy proceedings in which judges would manage the restructuring process.

U.S. officials have continued to plan for bankruptcy as the first option, requiring banks to develop "living wills" designed to map out how they would move through bankruptcy without wrecking the economy along the way. The 2008 bankruptcy filing of Lehman Brothers shocked global markets.

Increased cross-border coordination followed as regulators began to implement their new powers, assemble contingency plans and coalesce around ways to respond to the next big bank failure.

That work produced a pair of joint strategy exercises in Washington last year and in 2014 involving top officials from the U.S., U.K. and EU. Regulators in this country and abroad also implemented layers of additional rules designed to reduce the risk of another big bank collapse and shield taxpayers from the fallout.

At the same time, critics of Dodd-Frank were laying the groundwork for doing away with the law and coming up with their own alternative.

House and Senate Republicans prepared legislation to repeal the authority and gut its "orderly liquidation fund." The line of credit with the Treasury Department is intended to help pay for winding down a failing mega-bank. The law requires a repayment plan.

GOP lawmakers, led by House Financial Services Chairman [Jeb Hensarling](#) (R-Texas), are proposing that orderly liquidation authority be replaced with a new section of the bankruptcy code optimized for large financial institutions.

Now, some U.S. officials and bank lawyers fear that the progress made on international cooperation is in jeopardy because orderly liquidation authority is on the chopping block. They argue that U.S. regulators would no longer have the backing they need to work with foreign governments. They point to the possibility that foreign officials would impose new capital and liquidity requirements on the international operations of U.S. banks as a defensive measure.

Former Federal Reserve Chairman Ben Bernanke, who steered the central bank through the 2008 crisis, [wrote](#) last month that it is unlikely U.S. judges could develop similar relationships with officials overseas.

Compared to the U.S., Europe has less of a tradition of reorganizing companies through bankruptcy, and sources tracking the debate said officials would likely be more comfortable working directly with U.S. regulators when responding to a bank failure.

"U.S. financial regulators work regularly with their foreign counterparts, and have done considerable joint planning on resolution strategies," Bernanke said. "Absent such consultation, including advance discussions, during a crisis foreign regulators would likely protect their domestic depositors and investors by 'ring-fencing' the assets of the branches or subsidiaries of a troubled U.S. firm, which would prevent an orderly resolution of the firm at a global level."

Even the National Bankruptcy Conference, a nonprofit group of 60 lawyers, law professors and bankruptcy judges, told lawmakers in a letter this month that bankruptcy "might not be the best forum in which to foster cooperation by non-U.S. regulators of foreign subsidiaries."

The bankruptcy process, the group said, might lack "the expertise, speed and decisiveness" needed to balance systemic risk against other competing goals when handling an ailing financial institution.

The group said a "regulator-supervised resolution regime" similar to orderly liquidation authority should continue to be available even if the bankruptcy code is updated.

Some Republicans feel confident they would win a debate between protecting taxpayers from bailouts or protecting banks from the costs of retaliatory regulations abroad.

Jeff Emerson, a spokesman for Hensarling, touted the benefits of an "impartial judicial system based on our Rule of Law and guarantees of due process" in bankruptcy versus "arbitrary" orderly liquidation authority. FHFA-19-0753-A-000058

"Our economy will be healthier and taxpayers will be better off with more regulatory competition, not less," Emerson said. "We certainly do not need a single, top-down, globally imposed model to rule the financial universe."

A Senate aide involved in the discussion pushed back on the notion that foreign countries would try to ring fence banks if the authority were repealed, calling it an "idle threat" pushed by domestic regulators. U.S. regulators have already forced foreign banks operating in this country to abide by stricter rules.

The aide said the proposed bankruptcy changes would provide an orderly transition for the assets of a failed financial institution in a way that would keep it operating and performing important market functions. In addition, regulators would be consulted under proposed bankruptcy legislation.

The aide added that capital requirements have increased and banks are now required to maintain certain levels of long-term debt funding intended to help pay for their recapitalization.

One advocate for rewriting the bankruptcy code for big banks, Stanford University Professor John Taylor [told](#) a House committee Thursday that "international arrangements would have to be addressed" if the proposed bankruptcy overhaul replaced regulators' backup authority. He cited Europe's approach to resolving a banking collapse.

"If [orderly liquidation authority] were repealed and there were no parallel authority in the U.S., then a way to cooperate internationally would have to be created," Taylor said.

Asked about the concerns around undoing the law, a Treasury Department spokesman pointed to the broader regulatory review that Trump ordered in February.

"We will reexamine which regulations make sense, identify duplication between agencies, and assess what issues need further action," spokesman Seth Unger said. "We believe in appropriate regulation and in ensuring that taxpayers will never be at risk. At the same time, we have to ensure that banks can lend and provide liquidity, which supports economic growth and job creation."

The Bank of England and the EU's Single Resolution Board declined to comment, but one EU official told POLITICO, "We are certainly watching."

"If you have full repeal of orderly liquidation," the official said, "then the difference between what we have and what they would then have would be much, much bigger than today."

*Fiona Maxwell contributed to this report.*

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## **HUD's Carson lauds Florida project that Trump plans to defund**[Back](#)

By Lorraine Woellert | 03/24/2017 05:52 PM EDT

Housing and Urban Development Secretary Ben Carson praised Habitat for Humanity just a week after President Donald Trump said he wanted to [abolish funding](#) that supports the group.

At the invitation of Republican donors, Carson Friday toured a Habitat site in Pompano Beach, Fla., that by this time next year will need HUD money to deliver its 77 affordable homes to lower- and middle-income buyers.

"I identify so strongly with the mission of Habitat for Humanity, which is seeking to put God's love into action," Carson said during remarks to the group. "It dovetails so well with my concept of what the Department of Housing and Urban Development should be doing, and that is not just putting a roof over people's heads but building communities and developing human capital."

Carson endorsed public-private housing partnerships and held up Habitat as an example.

"This project here is one of the things that work," he said. "The government can't do everything, but the government can get things started."

Carson's visit was arranged by Rick and Rita [Case](#), Republican donors who helped finance the Habitat project. Rita Case gave \$2,700 to Trump's campaign and \$12,300 to the Republican National Committee last year, according to data from the Center for Responsive Politics.

The Cases could not immediately be reached for comment.

Habitat, a global nonprofit, builds and rehabilitates homes, which it then sells. It requires buyers to invest sweat equity in the property by helping with construction. Prices and monthly mortgage payments are set according to each buyer's income.

The group's projects typically get funding through HUD's Community Development Block Grant program, the HOME Investment Partnerships Program, the Self-help Homeownership Opportunity Program, or SHOP, and a program known as Section 4.

All were eliminated in Trump's [budget outline](#).

"There's going to be some rearranging of the way the budget is done," Carson told POLITICO the night before the speech.

"I don't think anybody is going to be displaced," he said. "We're going to find excellent and efficient ways to get things done. And to get people out of poverty."

The Pompano Beach development will begin delivering homes by this time next year, when it will need help from the SHOP program for first-time buyers, said Nancy Robin, chief executive officer of Habitat in Broward County.

The gap between wages and home prices in Broward is among the worst in the country and affordable homes are in such short supply that the county is giving away land to build low-cost housing.

"Broward County is in crisis," Robin said. "We have a great divide. We have very, very wealthy people in this community but it really is a service-based economy."

Habitat estimates that its independent local affiliates receive more than \$200 million a year in HOME, SHOP and CDBG. It also has leveraged \$92 million in Section 4 grants into \$162 million in private investment.

Carson asked questions about Habitat but didn't talk about funding, said Jonathan Reckford, chief executive officer for Habitat for Humanity International.

"He clearly talked about the need to leverage the public dollars with private dollars," Reckford said. "He certainly didn't give any policy prescriptions. He said he's looking for successful examples."

Friday's visit was the second stop on the secretary's listening tour, which he launched last week in Detroit.

**What's next:** Carson continues his listening tour in Dallas next week.

*Darren Samuelsohn contributed to this report.*

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## Wall Street's self-regulator defends itself from critics [Back](#)

By Patrick Temple-West | 03/24/2017 05:14 PM EDT

The CEO of Wall Street's self-regulator, which is under attack from conservatives, today defended the organization's structure but said he welcomes ideas for improvement.

In a [speech](#) in New York, Robert Cook, head of the Financial Industry Regulatory Authority, said he is open to considering ways to improve FINRA's model as a "self-regulatory organization."

FINRA, based in Washington, is the U.S. non-governmental regulator for the stock and bond markets. It oversees about 4,030 firms and more than 638,000 individuals.

It has increasingly drawn fire from conservative groups. The Heritage Foundation in February [said](#) FINRA "is largely unaccountable to the industry or to the public." In 2015, Hester Peirce, who was nominated that year to join the SEC, [argued](#) that FINRA "is not structured in a way to produce high-quality regulation and is not accountable to the government, the industry, or the public."

Cook said that scrutiny of FINRA will likely validate its benefits.

"We must not shy away from changes that can improve the SRO model," Cook said according to prepared remarks. "But we also should be sure that any interventions are based on careful study of the different structures and features of each of today's SROs and are well-designed to better protect investors and promote safe and vibrant markets."

**What's Next:** Cook spoke at Columbia Law School, which is launching a major review of the securities markets. The review has a target completion date of December 2020.

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## Key pieces of tax reform collide with White House business interests [Back](#)

By Colin Wilhelm | 03/27/2017 05:03 AM EDT

President Donald Trump and some of his most prominent advisers may soon face a high-profile test of how to balance their business interests with public policy as Congress attempts to reform the tax system.

Two of the most fought over aspects of the tax blueprint drafted by House Speaker [Paul Ryan](#) and Ways and Means Chairman [Kevin Brady](#) would directly affect the holdings of Trump and some of his closest advisers, including son-in-law Jared Kushner.



Trump and his aides have said they will separate their business interests from policy decisions. And tax reform — which Republicans say is next on their agenda following Friday's health care blow up — could have major implications for those interests.

Border adjustment, which would tax any good or service imported by a business at a 20 percent rate, is central to the House plan. But the provision is hated by retailers and other businesses that import their goods or materials.

Both Trump and his daughter Ivanka have clothing lines that are imported and would be subject to the tax. Ivanka Trump recently decided to take an unusual non-employee advisory role in the White House, and though her lawyer claims that she has divested from millions in stock, she still owns her clothing line.

In January, Ivanka Trump [announced](#) she would turn over management of her brand to top executive Abigail Klem. Bloomberg [reported](#) she put her brand in a trust, but would keep ownership of the company and get payouts.

The president — who says he has turned his business operations over to his sons — has wavered on border adjustment, seeming to dismiss it at one point and then saying it was still in the mix. How he comes down could decide the provision's fate.

The House plan would also eliminate the net interest deduction for corporate debt, a provision of the tax code frequently used by commercial real estate companies like the Trump Organization and the Kushner Companies, in which Jared Kushner, Trump's son-in-law turned senior adviser, still holds a stake.

Kushner's policy portfolio includes taxes, which he has discussed at length with Ryan in his official capacity as a White House adviser. A source familiar with the nature of the conversations said that Ryan had specifically pitched Kushner on border adjustment.

According to a March 1 filing, Kushner sold millions of dollars worth of investments in venture capital funds and in Signature Bank of New York. But holdings of spouses also fall under the federal conflict-of-interest statute, meaning Kushner will have to avoid potentially providing advice that could benefit his wife's business as well.

"I think it would be very important for [Kushner] to recuse himself from tax issues that affect the real estate industry," said Richard Painter, a former chief ethics lawyer for the George W. Bush White House. "Whether it would be a violation of criminal statute is a gray area."

Painter, who is also one of the lawyers suing Trump for allegedly violating the emoluments clause of the Constitution, said that Kushner could provide broad advice on taxes, but would run the risk of at least the perception of a conflict of interest, if not a violation of laws governing them, if he advises on tax provisions that could specifically affect his own business holdings.

"If the commercial real estate industry is lobbying against it ... he's got to stay away from it," said Painter.

A White House spokesperson told POLITICO, "The Trump administration has not yet taken a position on the corporate interest deduction." The spokesperson did not respond to a request for more information on the status of divestment by White House officials.

Asked about the House tax plan at an appearance on Friday morning, Treasury Secretary Steven Mnuchin said that the administration would not take the House Republicans plan ["as is."](#)

Both border adjustment and elimination of the interest deduction are tradeoffs to allow for immediate expensing of large capital expenditures, like equipment and software, for businesses, as well as an overall lowering of the corporate income tax rate from 35 percent to 20 percent, a longtime goal of Republicans and many business leaders.

A preliminary analysis by the Tax Foundation estimated that eliminating the interest deduction would bring in \$1.2 trillion over 10 years, while border adjustment would bring in \$1.1 trillion over the same period to offset the costs of tax cuts. That makes the provisions central to a tax plan that House Republican leadership doesn't want to run up the deficit.

The Republicans' tax reform math got considerably harder when their plan to repeal and replace Obamacare imploded, leaving their tax blueprint with a \$1 trillion hole.

The tax plan Trump outlined as a candidate last year would keep the net interest deduction and allow immediate expensing, though a business would have to choose one or the other; it could not use both.

The interests of Trump, his aides and his Cabinet in either commercial real estate or private equity, the two industries most strongly against repeal of the deduction, have led lobbyists and analysts following tax reform to quietly predict the demise of a true reform of the tax code.

"The fortunes of the White House were in large part built using that provision," said a Republican tax lobbyist, who asked to speak anonymously due to the sensitivity of discussing Trump's business.

Another Republican tax expert confirmed that it is a "widely held perception" in the tax policy world that Trump would reject eliminating the interest deduction due to the Trump Organization's involvement in commercial real estate past and present.

The New York Times [reported last week](#) that Trump's business is moving ahead with the development of more hotels domestically, projects that might be affected by the loss of the interest deduction. Though the financing for those projects could come from other sources, Trump also has a history of taking on large amounts of debt to build projects, like the Atlantic City casino that led to his first bankruptcy.

Though it's hard to know how much debt the Trump Organization currently owes because it is a private company, Trump's past companies have tended to be highly leveraged by debt — the exact type of company that would see "a significant burden on cash flow," according to a recent report by Moody's Investor Service.

White House push back on key aspects of the House GOP tax reform blueprint could create major friction with Ryan and his congressional allies. After the turmoil that surrounded repeal and replacement of Obamacare, congressional Republicans will want a major economic policy win to campaign on, and tax reform has long been a personal goal of Ryan's.

When asked earlier this month about the White House's reception to eliminating the net interest deduction, Brady said it was "good."

Despite last week's setback on health care reform, Brady remained committed to pursuing a comprehensive overhaul of the tax code rather than just rate cuts. That would make it difficult to jettison border adjustment and eliminating the corporate interest deduction.

"Tax rates alone will not make America competitive," he said.

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### **Internal White House battles spill into Treasury** [Back](#)

By Ben White and Nancy Cook | 03/24/2017 02:36 PM EDT

The fight for the direction of Donald Trump's presidency between the Goldman Sachs branch of the West Wing and hardcore conservatives is spilling into the Treasury Department, threatening Trump's next agenda item of overhauling the tax code.

Conservatives inside and outside Treasury say the new secretary, former Goldman Sachs banker, movie producer and Democratic donor Steven Mnuchin, is assembling a team that is too liberal and too detached from the core of Trump's "Make America Great Again" platform of ripping up trade deals, gutting the Dodd-Frank banking rules and generally rejecting "globalism" in all its forms.

The ideological divide has been brewing for weeks inside the White House as a result of appointing a raft of top advisers with radically different worldviews. The battle at Treasury is simply an extension of that brutal fight, according to interviews with over a dozen administration officials, donors, lobbyists and conservative policy experts.

On one side is a less ideological faction, mostly aligned with Mnuchin, that includes National Economic Council Director Gary Cohn and deputy national security adviser Dina Powell — three former Goldman executives — alongside first daughter Ivanka Trump and to some degree her husband, Jared Kushner. All are seen as having a more favorable view of international trade deals and existing relationships with foreign counterparts and a more measured approach to revamping financial regulations. On the other side are more populist and nationalist forces, led by senior adviser Steve Bannon and top policy adviser Stephen Miller.

Already, critics note that Mnuchin has selected another Democratic donor, Craig Phillips, for a top position within the department. He told senators at his confirmation hearing that he supports parts of the controversial Volcker Rule, which prohibits banks from making some bets with their own money — an anathema to conservatives who want to scrap stricter banking laws.

"If that is his position, it is not a conservative one and is not consistent with deregulation," said Norbert Michel, a senior research fellow in financial regulation and monetary policy at the Heritage Foundation and former member of the Trump transition team.

Right-leaning policy experts, Republican donors and some who worked on the presidential transition fear that Mnuchin has neither the policy chops nor the conservative credentials to lead Treasury, especially given pressure the agency will face after the health care battle to overhaul the tax code, eliminate Dodd-Frank or re-do housing finance rules. Republicans see major opportunities for policy shifts thanks to the business executive-turned-president, and they want Cabinet secretaries to take full advantage.

"I think Donald has a weakness for guys who made a lot of money," said one Republican donor.

"For conservatives, Mnuchin is a missed opportunity because he is not conservative. He will not drive the kind of tax reform we want, nor will he be strong on fixing Dodd-Frank," the donor added.

Tony Sayegh, Treasury's assistant secretary for public affairs, dismissed complaints about Mnuchin and said the secretary and Trump are aligned on every issue including taxes, financial reform and trade.

"Secretary Mnuchin has consistently stated that sweeping tax reform is his number one priority, has worked closely with President Trump on the issue since the campaign, and is now leading the tax reform effort on behalf of the administration," he said. "The secretary just returned from the G20 finance ministers meeting in Germany where he held two press conferences and 18 bilateral meetings during which he promoted President Trump's belief in free, fair and balanced trade.

One lobbyist close to the administration and transition team defended Mnuchin, saying the Senate just confirmed him on Feb. 13. "It's too early to start etching in stone what he is or isn't going to do. He is new to the town," the lobbyist said. "This town rolls on certainty. That is what makes this difficult for people."

Allies of Cohn and Powell, both former Goldman Sachs executives like Mnuchin, say their opponents, led by Bannon, are attempting to plant stories about Cohn and those around him to discredit their standing with conservatives and with Trump himself.

Powell, for her part, received significant conservative support for her new national security role including from Sen. [Tom Cotton](#) (R-Ark.).

These include allegations that Cohn is pushing a [carbon tax](#) and for keeping the U.S. in the Paris climate accords and was behind a visit to the White House by Zeke Emanuel, an architect of Obamacare.

Cohn defenders say none of these stories are true. Out of courtesy, the NEC director took a meeting with a group of conservatives pushing a carbon tax, led by longtime GOP power broker Jim Baker, but that nothing came from the meeting. And they say he did not invite Emanuel and is not pushing for keeping the U.S. in the Paris agreement.

Instead, four administration sources said, the attacks on Cohn appear aimed at heading off any possibility that the NEC director could take on an even more prominent role, including potentially as White House chief of staff, should a major staff shake-up occur.

Cohn has proven himself among the few West Wing advisers able and willing to contradict the president. One person close to the matter said the NEC director regularly pushes back in meetings with the Trump. "It's always done in a respectful, 'Can I just make my point?' kind of way. He's not interrupting him," this person said.

Behind closed doors, Cohn has also been positioning himself as the leader of any upcoming tax reform process. This month, he met with Ways and Means Republicans and his top tax policy adviser, Shahira Knight, to give a broad overview of how the White House views tax reform, according to another lobbyist. He's also met three times with Republicans on Senate Finance, according to a congressional aide, with Mnuchin accompanying him at one session.

Like at Treasury, these developments carry important ramifications for the Trump presidency's policy direction.

Republicans hoping for a more traditional Trump presidency continue to pin their hopes on the Cohn and Mnuchin factions for policies less focused on nationalistic trade protectionism and harsh treatment of immigrants and more on reduced taxes and regulations along with better relations with corporate America.

At Mnuchin's first meeting with G20 officials of major international economic players, he attempted to thread the needle on policy between Trump hardliners and a more Wall Street-friendly view. "We believe in free trade. We are in one of the largest markets in the world. ...Trade has been good for us. It has been good for other people," he said. "Having said that, we want to re-examine certain agreements."

Wall Street executives are counting on Mnuchin and Cohn to temper some of the president's instincts on trade, immigration and other policies.

"I think Gary and Steve view most of these things the same way and are pretty well aligned against some of the crazier ideas coming from Bannon and the rest," one top Wall Street executive who knows both men well said this week. "And once the health care fight is over they should be able to take center stage." The executive did not want to be identified by name for fear of angering senior White House officials.

Advocates of the Bannon wing, which also includes senior adviser Stephen Miller, argue that pursuing this kind of centrist approach, either at Treasury or inside the White House, would be a rejection of Trump's voters who elected him on a clear platform of changing trade policy to benefit Americans, building a wall with Mexico, cracking down on illegal immigration and preventing travel to the United States from nations associated with terrorism.

At Treasury, senior officials dismiss much of the pushback against Mnuchin as mostly griping from junior staffers associated with the Trump campaign who don't know anything about running such a large organization that covers everything from fighting terrorist financial networks to running the IRS to communicating with global markets.

Others acknowledged legitimate concerns with Phillips over his close ties to Democrats and the large role he is playing inside Treasury at the moment. "That was an odd choice," said one senior Republican close to Treasury.

Now, conservatives are closely tracking who Mnuchin picks for top jobs in domestic finance and tax policy for a sense of where Treasury is headed, policy-wise, in this new era.

Conservatives have applauded a few of Mnuchin recent picks for top Treasury jobs, including David Malpass, a former Bear

Stearns economist, for the undersecretary of international affairs and Drew Maloney, Rep. Tom DeLay's former legislative director, for the assistant secretary for legislative affairs. Among others, Treasury also added Dan Kowalski, Stephen Miller's deputy on the Trump campaign, as a counselor.

The complaints about Mnuchin come after conservatives, including some inside the White House, slowed down several of the Treasury secretary's picks for top jobs requiring Senate confirmation. Those who saw their selections linger for longer than expected include Jim Donovan, a Goldman Sachs banker recently announced as Trump's pick to serve as Mnuchin's deputy.

Donovan, a major fund-raiser for Mitt Romney and then Jeb Bush during the 2016 campaign, has had several prominent conservatives vouch for his credentials and resistance to his nomination eventually withered away. He is expected to play a prominent role in helping run the department should he win Senate confirmation.

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## Citigroup and Apollo defend Kushner family loans

By Lorraine Woellert

04/13/2018 03:51 PM EDT

Jared Kushner's family business ties to Citigroup and Apollo Global Management are more extensive than initially reported, Democratic lawmakers said on Friday.

Kushner Companies is more than \$600 million in debt to Citi and owes Apollo more than \$250 million, the lawmakers said, releasing letters from the two companies. The loans were originated around the time Kushner was named a senior adviser to President Donald Trump, his father-in-law.

In [letters](#) to the companies on Friday, lawmakers asked for more detail on the companies' financial ties to Kushner. The letters were signed by Democratic Sens. [Elizabeth Warren](#) of Massachusetts, [Tom Carper](#) of Delaware, and [Gary Peters](#) of Michigan, and Rep. [Elijah Cummings](#) of Maryland, ranking member of the House Oversight and Government Reform Committee.

In March 20 letters to the lawmakers, Citi and Apollo pushed back on the narrative that Kushner's family business had received financing after Kushner met at the White House with top executives from the companies, a story first reported by The New York Times.

Kushner sat down with Citi's chief executive, Michael Corbat, on March 3, 2017, at Corbat's request. The purpose of the meeting was to discuss trade policy, "given Mr. Kushner's leadership role in the NAFTA negotiations," Citi wrote in a letter to lawmakers.

"The Kushner family has been a client of Citi for decades," and a March 31, 2017, loan to the family was "completely appropriate," Citi's general counsel, Rohan Weerasinghe, [wrote](#).

Kushner also met several times last year with Apollo co-founder Joshua Harris just months before Kushner Companies closed on a \$184 million loan with Apollo.

"Josh Harris and Jared Kushner never discussed any loans to Kushner Companies," a lawyer for Apollo wrote in the March 20 [letter](#). "To our knowledge Jared Kushner did not play any role on behalf of Kushner Companies" with respect to the loan.

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## ***Everything YOU Need to Know to Stay Ahead of Your Competitors***

**May 10, 2017**

### **Millennial Home Buyers Running Into Regulatory Buzz Saw**

Older generations always seem to think millennials are doing it all wrong, but the truth is, millennials aren't all that different from their grandparents—especially when it comes to buying their first homes.

New research from Zillow confirms that, while younger people are putting off buying homes later than previous generations they still have a sizable impact on the housing market.

rood l24.png

"The biggest issue holding back millennials is that home inventory is anemic," says the **Collingwood Group Chairman Tim Rood**, in an interview with [I24 News](#) Clearcut Program. "While existing home sales are picking up, we're going to run out of inventory especially in lower-priced home that appeal to millennials."

Last year, millennials made up 42 percent of home buyers. Along with that, their home preferences are most similar to that of their grandparents. Millennials are choosing homes with shared community amenities, for example, and considering buying townhouses more than the next most recent generations.

The study found that almost 50 percent of millennials live in the suburbs, while 33 percent live in urban areas and the remaining 20 percent are in rural areas. Almost 30 percent of the population in both San Diego, CA and Austin, TX is made up of millennials, while Los Angeles, San Antonio and Columbus, OH have millennial populations of over 25 percent.

But warns **Collingwood's Rood**, "Until you find a way to incentivize builders, and take the regulatory morass off their shoulders allowing them to start constructing starter homes, than you are going to run into a buzz saw."

>>With the latest Situs take on "Mall Madness" and more, join **Ken Riggs, President of Situs RERC**, at 7:30 p.m. ET, Tomorrow, Thursday as he talks live with [I24News](#). <<

### **Co-Housing: Designing The Future for CRE Multi-Family Development**

From the outside, the small Seattle building looks like any other; the nine apartments inside have individual living rooms, bedrooms, kitchens, and baths. But the design, modeled on Danish co-housing communities, has a central common house and courtyard. In the common house, everyone dines together three times a week, taking turns cooking for each other. Call them Dorms for adults.

"I guarantee that co-housing will help build better living environment, people will take better care of the buildings and amenities because of the sense of ownership," says **Dr. Jennifer Rasmussen, Assistant Vice President at Situs RERC**.

"As a psychologist," says **Rasmussen**, "I can attest to the detrimental physical and psychological effects of isolation and the integral importance of social capital – the networks of people that inspire trust and cooperation among their members – for well-being."

[Fast Company](#) reports, more Americans are single than ever before, and more are living alone. That fact is one of the reasons we're also starting to die earlier: one study found that living alone increases mortality risk 32%. Vivek Murthy, the former U.S. surgeon general, has called isolation the most common health issue in the country.

**Situs RERC's Rasmussen** says, "Multifamily developers and owners win because it is cheaper to build spaces with communal amenities such as kitchens; you can fit more tenants into the same amount of space. From a consumer standpoint co-housing also makes sense. With so many millennials living with their parents because they can't afford exorbitantly high rents - the solution may well be to set up similar living situations with non-relatives, driving a sense of community from face-to-face interactions."

Architect Grace Kim agrees that the solution may be co-housing. "Loneliness can be the result of our built environment," she told an audience at TED 2017. "It turns out when you eat together, you start planning more activities together."

Even couples or families, she said, can be socially isolated in the typical house, and barely know neighbors. In an apartment building, residents might be more likely to stare at their phones in the elevator than start a conversation. Kim, by contrast, lives and works in a co-housing community she designed in Seattle, where families or individuals each have their own homes, but the space was designed for interaction.

Says **Situs RERC's Rasmussen**, "CRE is where we live, work and play. By combining multi-purpose spaces, ideas such as co-housing will breathe new life into the CRE multi-family environment and help our businesses appeal to millennials and future generations."

### **Jared Kushner's Sister Woos Chinese Investors with CRE Green Card Program**

The sister of President Donald Trump's son-in-law Jared Kushner has been in China courting individual investors with a much-criticized federal visa program that provides a path toward obtaining U.S. green cards.

Kushner's sister Nicole Meyer promoted 1 Journal Square, a Kushner Companies' development in Jersey City, at an event Sunday at the Four Seasons Hotel in Shanghai, according to participants.

The pitch seeks to raise funds from Chinese investors through the U.S. government's EB-5 visa program, which allows permanent U.S. residency for those who finance projects that create a certain amount of jobs.

The event was organized by Beijing-based immigration services company QWOS and Kushner Companies, according to an advertisement on the Chinese company's website, which says the project is seeking \$150 million from 300 EB-5 investors.

Kushner, a senior adviser to Trump, stepped down as chief executive of the Kushner Companies in January and has sold stakes in several properties to help allay concerns about conflict of interest. His family's promotional efforts in China come amid widespread criticism of the EB-5 visa program, which has grown popular among wealthy foreigners seeking to move to the U.S. but faces allegations of fraud and misuse.

Critics say many of the investments purportedly aimed at assisting poor areas of the U.S. have instead wound up going to projects in more affluent neighborhoods, while many programs have been badly hit by fraud scandals. U.S. lawmakers have been weighing proposed changes to the program, which would likely affect companies such as Kushner Cos. should it want to raise funds from such investors. Earlier this month, Congress extended the EB-5 program in its current form through Sept. 30.

read more: [NY Post](#)

### **House Panel Approves Plan to Undo Parts of Dodd-Frank Financial Law**

The House Financial Services Committee launched a Republican-supported rollback of Obama-era financial regulations, voting 34-26 along party lines for a plan to undo significant parts of the 2010 Dodd-Frank law.

The committee vote sent the Financial Choice Act to the full House, where it likely will be approved in the coming weeks.

The legislation by the panel's chairman, Rep. Jeb Hensarling (R., Texas), would relieve banks of some regulatory requirements as long as they meet certain capital requirements; subject banks to stress tests biennially instead of every year; repeal the Volcker rule, which restricts how banks invest taxpayer-insured deposits; force failing firms to go through bankruptcy; and restructure the Consumer Financial Protection Bureau, an agency created after the financial crisis.

The bill has the broad backing of the financial-services industry. But it is opposed by consumer groups that worry the plan would introduce more risk into the financial system.

During three days of committee debate, Democrats fought unsuccessfully to stop its passage. They proposed nearly two dozen amendments, all of them rejected and many of which would have preserved components of the Dodd-Frank law that Republicans want to eliminate.

Rep. Maxine Waters (D., Calif.) said the bill "is a deeply misguided measure that would bring harm to consumers, investors and our whole economy."

The GOP plan is expected to clear the House when it comes up for vote, but faces uncertain prospects in the Senate, where Republicans will need to negotiate with Democrats to get a bill through that chamber.

read more: [Wall St Journal](#)

### Former Fox News CEO Roger Ailes Really Wants to Sell N.J. Home

Former Fox News chairman Roger Ailes has chopped the price of his longtime home by 25 percent since listing it less than two months ago, bringing it down to \$1.65 million. He lowered the price by \$300,000 this week, matching his first price drop in late March after three weeks on the market. He is now seeking less than he paid for the 3,500-square-foot home in 2000 -- \$1.85 million.

The 76-year-old Ailes was forced out of Fox News last summer amid a sexual harassment scandal at the network stemming from former Fox anchor Gretchen Carlson's lawsuit, which was later settled. Ailes has denied any wrongdoing. But the shakeup has continued, with another sexual harassment scandal claiming Fox News' marquee star Bill O'Reilly last month, and this week, the network axed co-president Bill Shine, who has been accused in lawsuits of covering up Ailes' alleged harassment. Shine has also denied those allegations.

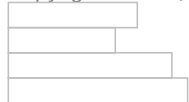
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by BRIAN COLLINS

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# Daily Briefing

Mar 1, 2018

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### How Ocwen plans to rebuild servicing scale with PHH deal

by BONNIE SINNOCK, BRAD FINKELSTEIN

Ocwen Financial Corp.'s acquisition of PHH Corp. will help the nonbank servicer rebuild scale that's been diminished by years of regulatory restrictions and the decline in distressed mortgage volume brought about by improvements in the overall housing market.

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by ANDY PETERS

Sure, banks are closing more branches than they are opening, but many still view them as important channels for selling products, dispensing advice and gathering deposits. Here's a look at banks large and small that are opening branches (or, in Capital One's case, cafes) in new markets.

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by IAN MCKENDRY

Financial institutions and retail companies are trading barbs over which industry poses greater risk to

sensitive customer information just as lawmakers are planning to take another stab at a data security bill.

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### **Treasury gets it right: Bankruptcy code, Dodd-Frank can work together**

by AARON D. KLEIN

A recent report from the agency settles a long-running debate about whether bankruptcy should replace Dodd-Frank's "orderly liquidation authority." The financial system needs both.

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**Subject:** Democrats seek details on Kushner Cos. apartments

By Lorraine Woellert

08/18/2017 03:48 PM EDT

Maryland Democrats are investigating whether a real estate company owned by Jared Kushner, President Donald Trump's son-in-law and top adviser, violated rules of a federally funded housing program.

In a letter sent today, lawmakers asked Kushner Cos. for documents relating to reports that the company and its affiliates failed to provide safe and sanitary housing for tenants receiving rental subsidies through Housing Choice, a voucher program run by the Department of Housing and Urban Development.

The [letter](#) was signed by Rep. [Elijah Cummings](#), ranking member of the House Committee on Oversight and Government Reform, along with Sens. [Ben Cardin](#) and [Chris Van Hollen](#) and House members [Dutch Ruppersberger](#), [John Sarbanes](#) and [Anthony Brown](#).

The New York Times and ProPublica recently [documented](#) appliance failures, mold, mildew, and rodent infestations at Maryland properties owned and managed by Kushner and its affiliates.

"If these reports are accurate, they raise very serious and troubling concerns about whether Kushner Companies and its subsidiaries are complying with HUD's housing quality standards to ensure the safety and health of their own tenants," the lawmakers wrote.

**WHAT'S NEXT:** The company has until Sept. 8 to respond.

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by KRISTIN BROUGHTON

The company has fired two additional prime brokerage employees as it continues to investigate accusations of misconduct.

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by PAIGE E. PIDANO

House legislation to reverse a federal court decision on state interest rate caps would increase access to credit, not expand predatory lending as critics have argued.

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by HILARY BURNS

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by KATE BERRY

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### Going more digital? Expect more fraud

by KEVIN WACK

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by BRIAN COLLINS

A bill to allow captive insurance companies to be reinstated as members of the Federal Home Loan Bank System appears to be dividing the FHLB community.  
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#### Kushner's N.J. Trump Tower got \$200 million Citigroup loan

Trump Bay Street, a New Jersey luxury apartment tower part-owned by Kushner Cos., received a \$200 million loan from Citigroup, according to two people familiar with the deal.  
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#### Fed 'fully prepared' to regulate banks under \$250B: Powell

by JOHN HELTMAN

While regulatory relief legislation would raise the asset threshold for "systemically important" banks, Federal Reserve Chairman Jerome Powell said the central bank could still apply prudential scrutiny to banks below that new cutoff.  
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**Jets, personal drivers, champagne  
checkups: Perks for today's bank CEOs**  
by KRISTIN BROUGHTON

Many of the industry's top executives — at big and regional banks alike — enjoy premium perks, including personal travel on corporate aircraft and minimal wait times for fancy medical exams. Here's an overview of the special items disclosed to investors so far this year.

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**House GOP wants small-dollar loan bill  
pinned to reg relief**  
by IAN MCKENDRY

Just as promised, Republican lawmakers went to work Wednesday considering regulatory reform ideas that would go further than the Senate's tweaks of the Dodd-Frank Act.

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**CFPB handled over 84K debt collection  
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by KATE BERRY

In the joint report with the Federal Trade Commission on debt collection practices, the CFPB said it had initiated four enforcement actions last year, had resolved one case and has five others pending.

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## Buybacks of Fannie/Freddie Loans Fell to a Record Low Last Year

By John Bancroft

[jbancroft@imfpubs.com](mailto:jbancroft@imfpubs.com)

Mortgage lenders that deliver loans into Fannie Mae and Freddie Mac mortgage-backed securities continued to face relatively few repurchase demands from the two government-sponsored enterprises last year.

An exclusive new [Inside Mortgage Trends](#) analysis of GSE disclosures finds that lender buybacks totaled just \$833.7 million last year, the lowest annual total since asset securitizers were required to file repurchase disclosures with the Securities and Exchange Commission back in 2012.

Total lender buybacks fell 14.4% last year, and the overwhelming majority of repurchase demands (84.2%) involved loans sold to Fannie and Freddie in 2017 and 2018.

Historically, most GSE buyback demands were connected to loans securitized prior to conservatorship, but nearly all of those claims had been cleared by the end of last year. For more details and exclusive tables on Fannie/Freddie repurchases, see the new edition of [Inside Mortgage Trends](#), now available online.

**Other areas of interest:** [Servicing](#), [Secondary/MBS](#), [Regulatory](#), [Data/Rankings](#), [Fannie](#), [Freddie](#), [Mortgage Lending & Servicing](#), [GSEs](#)

## GSEs' Single Security on Track for Implementation June 3. Otting Supports it 100%

By Brandon Ivey

[bivey@imfpubs.com](mailto:bivey@imfpubs.com)

The government-sponsored enterprises' single-security initiative, a project several years in the making, is largely on track to launch June 3, according to industry participants.

Speaking Sunday at the SFIG Vegas conference produced by the Structured Finance Industry Group, Mary Ellen Taylor, an associate director for the division of conservatorship at the Federal Housing Finance Agency, provided an update on the single security, also known as the Uniform Mortgage-Backed Security or UMBS.

She noted that a few loose ends remain, including delivery guidelines from the Securities Industry and Financial Markets Association that are expected in March and a final rule from the



FHFA regarding standards for consistent prepayment rates between Fannie Mae and Freddie Mac.

Taylor added that Joseph Otting, the acting director of the FHFA, is “100 percent” behind the UMBS effort. She also said the project aims to increase liquidity in the to-be announced MBS market and is not an effort to combine Fannie and Freddie into one entity.

**Other areas of interest:** [Originations](#), [Secondary/MBS](#), [Regulatory](#), [Fannie](#), [Freddie](#), [Mortgage Lending & Servicing](#), [GSEs](#)

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## Former FHA Chief Galante Quits Ocwen’s Board, Ex-GE Exec Britell Joins

*By Paul Muolo*

[pmuolo@imfpubs.com](mailto:pmuolo@imfpubs.com)

Ocwen Financial Corp. Monday morning revealed that Director Carol Galante, a former FHA commissioner, will depart from the lender/servicer’s board in May. No reason was given for her departure.

Galante joined Ocwen’s board roughly three years ago. She left FHA in 2014.

The mortgage firm, which ranks 12<sup>th</sup> among residential servicers according to [Inside Mortgage Finance](#), named two new directors: Jenne Britell and Kevin Stein, effective in March when the company files its Form 10-K with the Securities and Exchange Commission.

Britell’s name might be recognizable to mortgage professionals. In years past, she was executive vice president in charge of global consumer finance and president of global commercial and mortgage banking at GE Capital. She also held senior posts at Citicorp and Dime Bancorp.

Stein is CEO and co-founder of Resolution Analytics Corp., an investor in commercial judgements. His resume includes stints at Barclays, FBR Capital Markets and GreenPoint Financial, among other shops.

**Other areas of interest:** [Originations](#), [Servicing](#), [Personnel](#), [Regulatory](#), [Mortgage Lending & Servicing](#)

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## NAR Dissects GSE Reform Proposals, Has a Few Ideas of its Own

*By Dennis Hollier*

[dhollier@imfpubs.com](mailto:dhollier@imfpubs.com)

A working paper released by the National Association of Realtors at a conference in Washington this month makes a persuasive case that Fannie Mae and Freddie Mac should be restructured as strictly regulated, shareholder-owned utilities. Perhaps more importantly, the paper establishes an effective format for evaluating other proposals for GSE reform.

The paper, “A Vision for Enduring Housing Finance Reform,” written by Susan Wachter, a professor of real estate and finance at The Wharton School, and Richard Cooperstein, head of risk management at Andrew Davidson and Company, identifies four characteristics of the mortgage market that led to the housing crisis in 2007. Wachter and Cooperstein say any successful proposal for reforming the housing-finance system will have to address these factors.

One of the key issues, the paper claims, is what economists call the problem of “incomplete markets.” This term encompasses the delayed feedback inherent in the mortgage market, where the costs and benefits of getting and providing mortgages often don’t show up for years.

Also, the authors divide the reform proposals into three broad categories: government-owned entities, recap and release, and multi-guarantors. For the full analysis, see the new edition of [Inside The GSEs](#), now available online.

## Short Takes: Kushner Getting Cushy with Fannie and Freddie? / Working with Lenders, Not Property Owners / Prepayments Fall to 18-Month Low / More Funding for Better.com

By Paul Muolo

[pmuolo@imfpubs.com](mailto:pmuolo@imfpubs.com)

**Kushner Companies** is negotiating with **Fannie Mae** and **Freddie Mac** to obtain financing on roughly \$1.15 billion worth of apartment properties in Maryland and Virginia, according to media reports swirling around over the weekend. It's quite possible the story is true with one slight adjustment: Fannie and Freddie do not negotiate directly with borrowers seeking multifamily financing. Usually, there's a middle man in there. In other words, a lender. So it must be that Kushner is talking to a lender/lenders that plan to flip the loan(s) to the GSEs, which will then put them into securities. Right?...

A Freddie spokesman confirmed to us what we've always assumed: "We are not a primary lender." A Fannie spokesman noted: "We work with lenders, not with borrowers." So what's going on here? Did the Kushner Companies — as in presidential advisor **Jared Kushner** — go directly around the lender to the GSEs? Not likely. But if KC did this, it would be a heck of a story because that would mean the two are direct funders — something its regulator and Congress would be quite interested in...

According to newly crunched data from **Black Knight**, January's mortgage prepayment rate represents the lowest reading in 18 years. This occurred even with rates falling the past two months. Black Knight noted: "Any increase in refi incentive from falling rates was outweighed by the seasonal slowdown in home sales..."

**IN CASE YOU MISSED IT**: **Better.com**, New York, which describes itself as a "home finance disrupter," has lined up additional funding from **Citigroup**. This is the first investment from Citi's new fintech group. Citigroup joins Better.com's other backers which include **Goldman Sachs**, **American Express Ventures** and **Kleiner Perkins**. Launched in 2016, Better.com has funded \$2 billion in home mortgages thus far.

**NAME CHANGE**: Mortgage vendor, **ISGN Solutions**, Palm Bay, FL, has changed its name to **Sourcepoint**. The company describes itself as a "provider of productized solutions for the mortgage and financial services industries." In other words, software and services.

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### Expanded-Credit MBS Issuance on a Roll

Mortgage-backed securities with expanded-credit underwriting standards are flowing into the market. Presale reports were published earlier this month for three such deals — from Deephaven Mortgage, Redwood Trust and Galton Funding — and others are in the works. (The expanded-credit category consists mostly of non-qualified mortgages and nonprime/Alt A loans that aren't eligible for agency sale.) Gather insight and explore whether nonprime lending is a good fit for your company in IMF's [Guide to Non-Qualified Mortgages](#).

Other areas of interest: [Originations](#), [Servicing](#),  
[Secondary/MBS](#), [Personnel](#), [Regulatory](#), [Fannie](#), [Freddie](#),  
[Technology](#), [GSEs](#)



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FHFA Briefing

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### FHFA NEWS

#### FHFA Says Refinance Volume Down As Rates Increase. (DSN)

[DS News](#) (2/16, Schuette, 497) reports that the FHFA announced in its Refinance Report for Q4 2016 released this week that approximately 750,000 borrowers chose to refinance their home loans through Fannie Mae and Freddie Mac during Q4 of last year. The FHFA also found that 13,220 refinances were run through the Home Affordable Refinance Program. Borrowers who refinanced through HARP had a lower delinquency rate compared to borrowers eligible for HARP who did not refinance through the program. The FHFA also said that close to 200,000 borrowers could still refinance their loans through HARP as of the third quarter, and save \$2,400 per year on average as a result, according to the article.

#### Freddie Mac Announces Q4 2016 Earnings. (WSJ, BLOOM, HOUSEWR, DSN, AMBNKR, NATMOPRO, AP)

Freddie Mac reported its Q4 2016 earnings on Thursday and announced a profit of \$4.85 billion, compared with a prior-year profit of \$2.16 billion and a third-quarter profit of \$2.33 billion. Freddie Mac will send a \$4.5 billion dividend payment to the US Treasury, the GSE said.

The [Wall Street Journal](#) (2/16, Hufford, Subscription Publication, 6.37M) reports that Freddie Mac took a derivatives gain of \$6.38 billion compared to a \$744 million gain in the same quarter last year. The GSE took a \$326 million provision for credit losses, compared with a benefit of \$781 million in the same quarter last year, as a result of higher total interest rate concessions due to the longer life of certain loans because of rising mortgage interest rates, according to the Journal. Freddie Mac's serious delinquency rate reached 1 percent, the lowest since 2008. Freddie Mac CEO Donald Layton said the company had the best overall credit quality in nearly a decade.

[Bloomberg News](#) (2/16, Light, 2.41M) reports that net interest income reached \$3.9 billion compared with \$3.6 billion. Bloomberg says that Freddie Mac's earnings "benefited from a stable housing market and rising revenue from guarantee fees," and explains that "its income was also driven in part by a rise in long-term interest rates in the fourth quarter, which raises the value of derivatives the company holds." Freddie Mac said moving forward, "it would switch to a different accounting method, called hedge accounting, in an attempt to minimize the impact" of its

derivative-based hedging mechanism. A spokeswoman for the Federal Housing Finance Agency said in an email that the agency would monitor the company's hedge accounting program through normal oversight.

[HousingWire](#) (2/16, Gaffney, 1K) reports that for the full year, Freddie Mac earned \$14.4 billion of net interest income, down 4 percent from 2015. HousingWire says g-fee income "helped drive nearly \$3.9 billion (\$4.8 in net income) in fourth-quarter income, compared to \$2.3 billion in the third quarter." Mortgage purchase volume is up 12 percent from 2015, at \$393 billion, driven by higher refinance volume in the continued low interest rate environment.

[DS News](#) (2/16, Lane, 497) reports that Layton said, "2016 marked Freddie Mac's fifth consecutive year of profitability, reflecting not only an improving economy but also the very successful work we have done to transform the company. Our single-family business continues to grow, and we were once again the nation's leading multifamily lender. We have the best overall credit quality in nearly a decade." He added, "We are the leading innovator in credit risk transfer and the efficient reduction of legacy assets – enabling us to systematically reduce taxpayer exposure to mortgage risks."

[American Banker](#) (2/16, Subscription Publication, 28K) and [National Mortgage Professional](#) (2/16, Hall) also cover the earnings.

**Freddie Mac To Pay Treasury \$4.5B After Profit Doubles.** The [AP](#) (2/16) reports that Freddie Mac will pay the US Treasury a dividend of \$4.5 billion next month after its profit more than doubled last quarter to \$4.85 billion from \$2.16 billion in the fourth quarter last year. The GSE has paid the Treasury more than \$101 billion in dividends since receiving \$71.3 billion in bailouts from the government between 2008 and 2012.

### **Kushner's Use Of Fannie Mae, Freddie Mac Loans Poses Conflict Of Interest. (BLOOMPOL)**

[Bloomberg Politics](#) (2/17, 201K) reports that Kushner Co., Jared Kushner's family's multibillion-dollar real-estate business, has apartment buildings "from New Jersey to Maryland with more than \$500 million in government-backed mortgages financed by Fannie Mae and Freddie Mac," that "could put officials at those agencies in an awkward spot: If Kushner Cos. applies for a new loan, or wants to refinance, would Freddie turn them down?" Kushner Cos. says Jared's White House position won't have any effect on the family business "and they will respond to policy changes like any other private company in the marketplace," according to a company spokesperson. During Kushner's tenure leading the company, he oversaw the acquisition of 11 properties and three refinancings funded by \$581 million from Fannie Mae and Freddie Mac, according to real-estate data firm Real Capital Analytics. About \$568.8 million is outstanding on those Fannie Mae and Freddie Mac loans, according to data compiled by Bloomberg. The article notes that the FHFA, which oversees Fannie Mae and Freddie Mac, is run by Mel Watt, appointed by former President Barack Obama. Watt's term ends in 2019, at which point Trump will pick a successor, though it's possible the president could try to remove Watt from office before then, according to Bloomberg.

### **Rehearing Granted For PHH v. CFPB Case. (DSN)**

[DS News](#) (2/16, Lane, 497) reports that a ruling by the US Court of Appeals for the DC Circuit on Thursday said "that the full Court will take another look at a ruling that struck down the Consumer Financial Protection Bureau," setting the stage for a legal fight that carries significant implications for the future of the CFPB in the era of the Trump administration. The ruling "gives the CFPB another chance to defend itself as Republicans in Congress push to roll back the agency's authority." In its arguments, the CFPB pointed to other independent agencies, including the Social Security Administration, the Federal Housing Finance Agency, and Office of Special Counsel, to help make its case.

## **FANNIE MAE AND FREDDIE MAC**

### **Average US 30-Year Mortgage Rate Dips To 4.15%. (AP, WP, REU, HOUSEWR, MRKTTWCH, NATMORNW)**

The [AP](#) (2/16) reports that the rate on 30-year, fixed-rate loans eased to 4.15 percent from 4.17 percent last week, Freddie Mac announced Thursday. The benchmark rate stood at 3.65 percent a year ago and averaged 3.65 percent through 2016. Meanwhile, the rate on 15-year mortgages dropped to 3.35 percent this week from 3.39 percent and 2.95 percent a year ago.

The [Washington Post](#) (2/16, Orton, 11.43M) reports that mortgage rates "have defied conventional wisdom this past month by holding steady for the fourth week in a row," despite rising 10-year US Treasuries. Freddie Mac Chief Economist Sean Beckett said, "For the last 46 years, the 30-year mortgage rate has been almost perfectly correlated with the yield on the 10-year Treasury, but not this year. From Dec. 29, 2016, through today, the 30-year mortgage rate fell 17 basis points to this week's reading of 4.15 percent. In contrast, the 10-year Treasury yield began and ended the same period at 2.49 percent." He added, "While we expect mortgage rates to fall into line with Treasury yields shortly, this just may be a year full of surprises."

Also covering the rates are [Reuters](#) (2/16), [HousingWire](#) (2/16, Ramirez, 1K), [MarketWatch](#) (2/16, 767K), and [National Mortgage News](#) (2/16, 34).

### **Fannie Mae Prices First Resecuritization Of Green Multifamily Bonds. (NATMORNW)**

The [National Mortgage News](#) (2/16, 34) reports that Fannie Mae has priced its first resecuritization

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of multifamily mortgages on energy-efficient buildings. "The \$1 billion FNA 2017-M2, which priced Wednesday morning, is Fannie Mae's second GeMS REMIC of the year. It included two tranches that are backed by 30 loans originated under Fannie Mae's green program and individually securitized," according to the article. National Mortgage News says the offering is "another sign that the financing of energy efficiency is moving into the mainstream of the capital markets."

#### **Republicans Divided Over Border Adjustment Tax. (POLITICO, NYT)**

[Politico](#) (2/16, Bade, Everett, Johnson, 2.46M) reported that a day after House Speaker Ryan addressed Senate Republicans' weekly lunch in a bid to "salvage a controversial pillar of his tax reform plan," the "border adjustment tax," Sen. Tom Cotton blasted the tax on the Senate floor saying, "some ideas are so stupid only an intellectual could believe them," and "Many other senators share these concerns." Politico called it "an ominous sign for a linchpin of Ryan's tax plan – and perhaps for the prospects of tax reform happening at all." While Ryan has pitched the idea to Administration officials and Senate leaders as "a compromise between a tariff, which the president wants, and conservative orthodoxy against border taxes," the idea "is sharply dividing Republicans – even within the White House." The piece adds that Ryan is "hoping he can also win the support of Trump's influential son-in-law Jared Kushner, Commerce Secretary Wilbur Ross, Treasury Secretary pick Steven Mnuchin and senior adviser Stephen Miller."

The [New York Times](#) (2/16, Cohen, Subscription Publication, 13.9M) also reports on the topic, noting that "what could trip up the reform of personal taxes is the promise by" Mnuchin of "no absolute tax cut for the upper class." Republicans have "repeatedly characterized their plan as a big cut for the middle class, but independent analyses have concluded that the wealthy are clearly the biggest winners." The Times writes that "despite their grip on power, [Republicans] are far from united in how to accomplish those goals." Fannie Mae Chief Economist Doug Duncan says, "Just because there's an 'R' in the White House, an 'R' in the House and an 'R' in the Senate doesn't mean they're from the same alphabet."

#### **CFPB May Demand Information About Seller-Financed Home Sales. (NYT)**

The [New York Times](#) (2/16, Goldstein, Stevenson, Subscription Publication, 13.9M) reports Judge Nancy Edmunds of the Federal District Court in Detroit has ruled that Harbour Portfolio Advisors of Dallas, one of the country's "largest providers of seller-financed homes," must comply with a demand for documents and information from the CFPB. The bureau had looked into whether the terms of seller-financed home sales violated truth-in-lending laws, the Times says, noting that "in recent years, these kinds of deals have ballooned in poorer neighborhoods as lower-income Americans have found it harder to obtain mortgages and as private investment firms have stepped in to offer alternative financing since banks often will not lend to them." In its investigation last year, the Times found that after the 2008 housing crisis, "Harbour Portfolio bought around 7,000 single-family homes in bulk sales from Fannie Mae. Harbour paid \$10,000 or less for each of these homes in most cases, then sold them 'as is' to buyers for sometimes as much as four or five times the purchase price."

#### **Berkeley Point Capital's Mitch Clarfield Is Optimistic About The GSEs' Futures. (GLOBEST)**

[GlobeSt.](#) (2/16, 3K) features an article with Mitch Clarfield, Senior Managing Director at Berkeley Point Capital, who shares his views on the future of Fannie Mae and Freddie Mac under the Trump Administration. On privatization, Clarfield says, "They are talking about limiting the government guarantee to the bonds that they issue and then allowing them to be privately capitalized for the risk that they are taking on their balance sheet. ... I think those are good things." However, Clarfield is not as optimistic about other proposed changes, like the elimination of the interest deduction paid on property level debt. Overall, Clarfield "thinks that having strong real estate allies in or close to the White House is going to be a net positive for the commercial real estate industry."

### **HOUSING FINANCE AND INDUSTRY**

#### **Jobless Claims, Housing Starts Beat Expectations. (BLOOM)**

[Bloomberg News](#) (2/16, Laya, 2.41M) reports the Labor Department announced this morning that initial jobless claims increased last week by 5,000 to 239,000, beating economists' forecast of 245,000 new claims and "underscoring a vibrant labor market." The less-volatile four-week average "edged up to 245,250 last week from 244,750."

Separately, [Bloomberg News](#) (2/16, Chandra, 2.41M) reports the Commerce Department announced this morning that January housing starts "totaled an annualized 1.25 million," beating the 1.23 million pace predicted by the economists surveyed by Bloomberg. "Permits, a proxy for future construction," rose by 4.6 percent to a 1.29 million annualized rate, "the fastest pace since November 2015 on a pickup in applications for apartment building." Bloomberg adds, "While builder optimism eased this month, it's still close to an 11-year high on hopes that President Donald Trump will ease regulations, making it easier to purchase or build a house."

#### **JPMorgan To Introduce Digital Mortgage Platform. (REU)**

[Reuters](#) (2/16, Henry) reports JPMorgan plans to gradually introduce a digital mortgage platform that would allow customers to apply online and track their applications with their phones. The

tools “will allow customers to submit and sign documents online and exchange messages with bank staff and real-estate agents so loans can close more quickly and easily, consumer mortgage chief Mike Weinbach said in an interview.” The bank began a pilot of its digital tools over the last few weeks and will complete a final rollout in 2018.

#### **Researchers Discuss Older Adult Housing Options. (TIME)**

[TIME](#) (2/16, Worland, 6.98M) reports older adults are increasingly seeking to live independently, with only three percent of the elderly living in nursing homes. As the With financial support from Affordable Care Act subsidies under threat, researchers worry the need “for older-adult-friendly apartments will outstrip the supply” as people seek “to age in place” because “it can be the most affordable way to retire.” National Housing Conference researcher Janet Viveiros said older adults are showing a need for “some sort of different housing,” whether at the “nursing-home-level care or something else entirely.”

#### **Santander Bank’s Mortgage Data Indicate Racial, Economic Discrimination. (REU)**

[Reuters](#) (2/16, Lambert) reports an analysis by the Committee for Better Banks shows Santander Bank denied mortgages to minorities, women, and low-income borrowers in US Northeast region “more frequently than nearby banks.” The Committee – a partnership of consumer advocacy groups, bank workers, and unions – looked at government data and found what it called “a disturbing pattern of racial and economic discrimination.” The bank denied mortgages to over 26 percent of borrowers of color in 2014 compared to 17 percent in total. “It also refused loans to 30 percent of low-income applicants, compared to the aggregate rate of 18 percent, and 20 percent of women, compared to the aggregate rate of 13.6 percent.” In 2015, the bank “rejected more than three people of color for every white borrower it turned down.” Reuters says the OCC “will soon fail Santander on a community lending test for doing too little to reach poor neighborhoods, according to sources familiar with the situation.”

#### **Greenspan: Financial Regs Could Be Removed If US Imposes Higher Capital Requirements. (YAHFIN)**

[Yahoo! Finance](#) (2/16, Serwer, 5.33M) reports that in a speech before the Economic Club of New York on Thursday, former Fed chair Alan Greenspan called Dodd-Frank the “worst legislation since Nixon’s wage and price controls of the 1960s” and said that “almost all” financial regulation could be done away with if regulators “raise the capital requirements of banks.” He acknowledged that this could mean banks lend less, but said what would be denied are “loans we shouldn’t be making in the first place.” In a speech, Greenspan “noted that higher capital would make ‘contagious defaults like 2008 and 1929 almost impossible,’ and that if there were defaults by banks and financial institutions then we should ‘make shareholders take the loss, not American taxpayers.’”

#### **Hensarling’s Financial Choice Act Would Exempt One-Third Of Public Companies From Auditing Disclosures. (MRKWTCH)**

[MarketWatch](#) (2/16, McKenna, 767K) reports House Financial Services Committee Chairman Jeb Hensarling’s (R-TX) Financial Choice Act includes a provision that would modify parts of the Sarbanes-Oxley Act, curbing “the reporting of accounting problems from about a third of issuers.” Hensarling’s proposal “doubles the permanent exemption threshold from the original bill of last September, to \$500 million in market capitalization from \$250 million.”

#### **Largest US Banks Stand To Benefit From Trump Tax Cuts. (BLOOM)**

[Bloomberg News](#) (2/16, Onaran, 2.41M) reports the six biggest US banks “could see annual profit jump by an average of 14 percent if President Donald Trump delivers on his promise to cut corporate taxes.” The piece explains that the banks, “which stand to benefit more than other industries because they typically have fewer deductions, could save a combined \$12 billion a year.” Bloomberg points out that, despite investor focus on “Trump’s campaign pledge to relax bank regulations, tax cuts could happen faster and their impact could be greater.”

#### **The Clearing House To Push For Easing Of AML Rules. (REU, WSJ, AMBNKR)**

Early Thursday morning, [Reuters](#) (2/16, Schectman, Freifeld, Wolf) reported The Clearing House, a trade association representing big banks, planned to release a proposal that would overhaul the way banks investigate and report possible criminal activity, setting the stage “for an intensive lobbying effort targeting bank regulators and members of the Senate and House of Representatives finance committees.” The group was set to “propose a new system under which banks do not investigate and report every transaction that could possibly raise a red flag, according to people involved in the effort.” Moreover, for international banks TCH will push for Treasury’s FinCEN “to be responsible for investigating compliance” rather than the OCC. “Since FinCEN is already responsible for sharing threat data with law enforcement agencies, the agency will be better able to determine if banks are making a substantial contribution to law enforcement efforts, the bank group will argue.”

The [Wall Street Journal](#) (2/16, Rubinfeld, Subscription Publication, 6.37M) reports the group also called for FinCEN to work with Treasury’s Office of Terrorism and Financial Intelligence to determine priorities for financial firms to look out for. TCH’s report also reintroduced a previous endorsement of legislation that would require firms to disclose more ownership information at the time of incorporation; FinCEN has ordered banks to require companies disclose their “beneficial owners” when opening accounts starting 2018.

[American Banker](#) (2/16, Heltman, Subscription Publication, 28K) explains that currently banks are required to report all suspicious or potentially terrorism-related activities through suspicious activity reports sent to law enforcement authorities – as well as “know your customer” rules – all of which are enforced by OCC, FinCEN, Fed, and FDIC supervisors. THC’s proposal recommends “consolidating AML/CFT examination authority within FinCEN; expanding safe harbor provisions in the Patriot Act and elsewhere to spur innovation; and establishing a process for setting priorities to respond to trends and threats,” the article says.

#### **JPMorgan, Others Lead Funding Round For OpenFin. (REU)**

[Reuters](#) (2/16, Irrera) reports financial services software developer OpenFin has raised \$15 million in a recent funding round that included JPMorgan, as well as the venture capital arms of DRW Trading Group and NEX Group Plc.

#### **Attacks On Fed Part Of A Global Trend. (NYT, WSJ, BLOOM, MRKWTWCH)**

The [New York Times](#) (2/16, Zaring, Subscription Publication, 13.9M) reports while the Fed has “long prized its independence,” there is a growing trend where “political leaders around the world are not at all shy about interfering with what the central banks do.” The piece explains that during her testimony to Congress this week, Fed Chair Janet Yellen “was criticized for both the Fed’s monetary policy and its regulation of banks.” However, the Times says the “political caviling is even more pointed abroad.”

The [Wall Street Journal](#) (2/15, Lahart, Subscription Publication, 6.37M) reports three economic reports released on Wednesday came in strong, which could mean the Fed would be raising rates sooner rather than later—maybe as early as March. The Journal says the data highlights the tense relationship that could develop between the Fed and the Trump Administration. With a strengthening economy, a tax cut or infrastructure-led stimulus could bolster it further, leading the central bank to tighten more rapidly. That could put a damper on growth and make it harder for Trump to reach the pledged 4% growth he is seeking.

**Lockhart: Fed Could Move More Quickly On Rates If Economy Remains Strong.** The [Wall Street Journal](#) (2/16, Derby, Subscription Publication, 6.37M) reports Atlanta Fed President Dennis Lockhart argued on Thursday that recent strong economic data may be boosting prospects the Fed will hike rates more quickly and sooner than expected. With recent gains in consumer price inflation and hiring, “there is some exceeding of expectations going on,” Lockhart told the Journal ahead of his retirement at the end of the month. “I don’t think there is an imperative to move in March, but I know it’s a live meeting” and eligible for action, Lockhart said. “If I were part of the decision, I’d find myself persuadable about three moves,” but cautioned that so far, he is still “largely comfortable” with anticipating only two hikes.

**Fischer, Like Yellen, Sees Economy On Fed’s Rate Hike Policy Path.** [Bloomberg News](#) (2/16, Smialek, 2.41M) reports Fed Vice Chairman Stanley Fischer “said the central bank is nearing its dual goals and seems to be headed for its anticipated monetary policy path, which officials’ December projections put at three increases this year.” He told Bloomberg TV in an interview, “I don’t want to give you numbers on two or three, but this is consistent with what we had thought should be happening around now – that is that we’d be moving closer to the 2 percent inflation rate, and that the labor market would continue to strengthen.” He added, “If those two things happen, we’ll be on the path that we more or less expected.”

[MarketWatch](#) (2/16, Robb, 767K) reports the Fed is “less concerned about the outlook for the U.S. economy,” according to Fischer, who laid the “groundwork for further interest-rate hikes in coming months.”

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## FHFA NEWS

### Calabria: Government Could Stagger Release, IPOs Of The GSEs. (REU)

[Reuters](#) (5/23, Schroeder) reports, "Mortgage giants Fannie Mae and Freddie Mac could be returned to the private market at different times, especially if the government moves to float them on the public markets, the head of the U.S. housing finance regulator told Reuters in an interview." FHFA Director Calabria reportedly "[said that it might be] preferable to stagger that process due to the complexities involved in getting [the GSEs] ready for private ownership." Calabria "told Reuters he had not yet determined exactly how much capital the firms would need." On Thursday, Freddie Mac CEO Donald Layton "estimated his company would need \$50 billion, while Fannie Mae would need \$75 billion." Calabria "told Reuters he saw some advantages to staggering" IPOs to "avoid saturating the market." However, "In the event of a staggered privatization, Calabria said he hoped any lag between the entities would not exceed six months."

### Experts Expect Calabria To Crack Down On GSE Cash-Out Refis. (INSDMORTG)

Behind a paywall in its Short Takes, [Inside Mortgage Finance](#) (5/23, Muolo, Subscription Publication) reports that it "talked to a handful of veteran GSE watchers" about FHFA Director Calabria's speech at MBA Secondary on Monday. They were "impressed with the get-tough approach Calabria took in his prepared remarks regarding GSE charter creep." Although Calabria "has promised to leave" the GSE loan limits alone, the GSE watchers "anticipate he might crimp the role" Fannie and Freddie play in cash-out refis.

### Bradford: Calabria's Comments Mean Receivership Is Basically 'Off The Table.' (ALPHA)

In a [Seeking Alpha](#) (5/24, Bradford, 512K) analysis piece, GSE investor Glen Bradford says FHFA Director Calabria "has been all over lately talking openly about the administration's plans regarding the future of Fannie Mae and Freddie Mac." By "saying the common shares will stick around," Calabria "basically takes receivership off the table. This means common shares that can be purchased in the stock market today will own a future of the post conservatorship capital structure." Calabria "suggested regulatory capital requirements will be 3-5%," and the "higher Mark Calabria sets capital requirements, the less valuable common shares are." The next "major shoe to drop is the Treasury plan by Craig Phillips as he exits stage left. Then, FHFA will finalize their regulatory capital rule and will work with Treasury to stop the sweep as the companies are effectively restructured."

### Bankshot: Although Some Feel GSEs Should Be Designated As SIFIs, Recent FSOC Changes Make This Less Probable. (AMBNKR)

In a Bankshot piece for [American Banker](#) (5/23, Subscription Publication, 31K), Victoria Finkle says



FHFA Director Calabria "said at a housing event" recently, "All large, systemically important financial institutions should be well capitalized." A few days later, when asked if the FSOC should designate the GSEs as SIFIs, Calabria responded, "I certainly think it's appropriate for FSOC to deliberate on whether Fannie and Freddie should be designated. They're large, important institutions that we've rescued once already, so I think that that's a process that should happen." However, according to Finkle, "In March, the FSOC proposed revising its process for labeling individual institutions as systemically important, emphasizing instead an activities-based approach to risk monitoring. That significantly lowers the risk that the GSEs could be designated – a process that would subject them to greater oversight by the Federal Reserve – although it doesn't necessarily eliminate it altogether."

#### **Pollock: FHFA Should Hold GSEs To Four Percent Capital Standard, FSOC Should Designate Them SIFIs. (AMBNKR)**

In a BankThink piece for [American Banker](#) (5/23, Subscription Publication, 31K), R Street Institute distinguished senior fellow Alex Pollock argues that FHFA Director Calabria is "absolutely right" that the GSEs "must in the future have a strong capital position," and this would be in "vivid contrast to the 0.2% capital ratio they have now." According to Pollock, "As the new director of the FHFA, Mark Calabria should follow through on plans to raise capital standards at the GSEs. ... The FHFA should, in my view, immediately establish a minimum capital requirement for Fannie and Freddie of tangible equity equal to 4% of total assets," and the FSOC "should designate" the GSEs as the SIFIs they "so obviously are." Pollock adds, "Congress does not have to do anything in this scenario. That is good, because it is highly unlikely that it will do anything."

#### **Data Shows More Borrowers Using First-Time Homebuyer Down Payment Assistance Programs. (BANKRATE)**

[Bankrate](#) (5/24, Kearns, 311K) reports a "new analysis" from the NSMO and "internal data from Freddie Mac," jointly "paid for and managed" by the FHFA and CFPB, revealed that "more borrowers are turning to first-time homebuyer down payment assistance loans and grants for help." While down payment assistance programs are on the rise nationwide, the "share of homebuyers who used a gift or loan from a relative or friend remained stable over the same time period at nearly 25 percent, Freddie Mac reported." The "compositional shift in who's buying homes is one reason" for the rise in popularity of down payment assistance programs. According to Freddie Mac Deputy Chief Economist Len Kiefer, "In 2013, we were still emerging from the downturn and the market was in the early stages of recovery with mortgage delinquencies and the labor market was still struggling; it was tough for housing. Since then, the economy has improved a lot and (buying) demographics have shifted toward first-time buyers."

#### **Kushner Cos. Reportedly Receives \$800M Freddie Mac Loan For Apartments. (BLOOM, REALDEAL)**

[Bloomberg](#) (5/23, Kocieniewski, Melby, 4.73M) reports, "Kushner Cos., the real estate firm owned by the family of President Donald Trump's son-in-law Jared Kushner, has received about \$800 million in federally backed debt to buy apartments in Maryland and Virginia – the company's biggest purchase in a decade." The loan was "issued by Berkadia" in a deal that's "backed by government-owned Freddie Mac, according to a person familiar with the matter." Bloomberg adds, "Trump appointed Joseph Otting to oversee the Federal Housing Finance Agency, which regulates Fannie and Freddie. Otting previously served as CEO of OneWest Bank, founded by now-Treasury Secretary Steven Mnuchin, an ally of Kushner's in the West Wing." The [Real Deal \(NY\)](#) (5/23, 124K) provides similar coverage.

#### **Continuing Coverage: FHFA's Calabria Stresses Need To Build Up GSEs' Capital, Discusses Potential IPO. (MORTND)**

[Mortgage News Daily](#) (5/23, Swanson) says, "Bloomberg reports that [FHFA Director] Calabria told an audience in New York on Monday that the two government sponsored enterprises...may be allowed to hold some capital instead of sweeping it each quarter into the government coffers." In a "discussion with CNBC's Diana Olick," he also "said he is working with Treasury to find ways the two companies might raise additional money beyond their retained earnings," calculating that "the two companies would need up to \$200 billion in capital to reconstitute their business." An IPO is one of the "options on the table."

#### **Continuing Coverage: Highlights From NAR's Legislative Meetings Recapped. (BOSAGENT)**

[Boston Agent Magazine \(MA\)](#) (5/23, White) recaps some "top takeaways" from NAR's conference, including President Trump's address, FHFA Director Calabria's comments on the future of the FHFA and the GSEs, and discussions of the "three topics" that "topped the list of legislative priorities: flood insurance, opportunity zones and fair housing."

### **FANNIE MAE AND FREDDIE MAC**

#### **Freddie Mac: Mortgage Rates Slide Down For A Fourth Straight Week. (WP, REU, NATMORNW, HOUSEWR, MREP, NATMOPRO, RTTNEWS, ALPHA, AP, MRKTWTCH)**

The [Washington Post](#) (5/23, Orton, 14.2M) reports fixed mortgage rates "didn't go down much,



but they did go down for the fourth week in a row,” according to “the latest data released Thursday by Freddie Mac.” The 30-year FRM average fell from 4.07 to 4.06 percent. The 15-year FRM average fell from 3.53 to 3.51 percent. The 5/1 ARM average rose from 3.66 to 3.68 percent. Bankrate “found that two-thirds of the experts it surveyed expect rates to remain relatively stable in the coming week.” [Reuters](#) (5/23) reports the 30- and 15-year FRM averages now sit at “their lowest levels in 16 months.”

***Khater: Drop In Rates Skewing Demand Toward Higher End Of Purchase Market.***

Behind a paywall, [National Mortgage News](#) (5/23, McCullom) reports Freddie Mac Chief Economist Sam Khater said, “Mortgage rates fell for the fourth consecutive week and continued the medium-term trend of lower rates since late 2018. The drop in mortgage rates is causing purchase demand to rise and the mix of demand is skewing to the higher end as more affluent consumers are typically more responsive to declines in rates.” Providing similar coverage are [HousingWire](#) (5/23, Lloyd, 23K), [M Report](#) (5/23, Welborn), [National Mortgage Professional](#) (5/23, Hall), [RTT News](#) (5/23), and [Seeking Alpha](#) (5/23, Kiesche, 512K).

***Continuing Trade War Drives Investors To Bonds.*** The [AP](#) (5/23) reports investors “appear to be bracing” for the Chinese trade dispute to “become entrenched” as tensions “continued to fester this week.” Negotiations are currently “on hold” after the Administration “slapped new tariffs on \$200 billion in Chinese imports and Beijing retaliated with tariffs on \$110 billion of US products.” Stock prices have “fallen sharply around the globe,” and investors “continue to shift money from volatile stocks to the bond market.” [MarketWatch](#) (5/23, Riquier, 1.67M) reports, “The 10-year [Treasury] yield is at its lowest in 18 months, thanks mostly to the escalating US-China trade war, and increasing signs of slowing domestic growth. Data released Thursday saw a May manufacturing survey at the lowest level in nearly a decade.”

**Fitch: GSEs’ Low Down Payment Mortgages Faring Better Than Expected. (NATMORNW)**

[National Mortgage News](#) (5/23, Finkelstein) reports the credit risk transfer market’s “growing concentration of low down payment mortgages made to low-to-moderate income homebuyers might not be as much of a concern as originally anticipated, according to Fitch Ratings.” For the 2018 CRT vintage, the “expected delinquencies for these loans relative to other high LTV mortgages included in those deals is 28 basis points lower than Fitch’s projections, while for the 2017 vintage, it is 20 basis points lower.” Fitch analysts said in a report, “While the performance history is limited, the early delinquency behavior indicates the increase in credit enhancement on Fitch-rated GSE risk-transfer classes is sufficient to offset the higher risk of the loan programs. Freddie Mac’s Home Possible and Fannie Mae’s HomeReady program loans...now make up more than 20% of the reference mortgage pools in recent high LTV bond issues. The rapid increase of the program concentration has negatively affected reference pools’ credit composition and increased credit risk.”

**Kenneth Harney Passes Away At 75. (WP)**

The [Washington Post](#) (5/23, Barnes, 14.2M) reports syndicated real estate columnist Kenneth Harney has passed away. According to his wife, Harney’s death was caused by acute myeloid leukemia. Harney’s work, appearing every week in 90 different newspapers, covered a variety of topics, ranging from DIY home improvement projects to new initiatives at Fannie Mae and Freddie Mac. His syndicated real estate column, “The Nation’s Housing,” spanned four decades from its first publication in 1979 until Harney wrote his final column last week.

**Lazerson: GSEs’ Appraisal Secrecy Creates ‘Institutional Discrimination’ Against First-Time Buyers. (OCR)**

In an opinion piece for The [Orange County \(CA\) Register](#) (5/23, 546K), mortgage broker Jeff Lazerson argues that the GSEs’ “appraisal secrecy” is hurting first-time buyers. He says Fannie Mae and Freddie Mac “have been building separate property appraisal data libraries right under our noses. Lenders were required to upload these data-rich appraisal reports through a web-based platform named Uniform Collateral Data Portal.” According to Lazerson, “Fannie and Freddie have created institutional discrimination against low down payments. Sellers and their real estate agents know that if the value comes in lower than sales price, it’s much easier to cure that property value gap with a larger down payment.”

**Continuing Coverage: Robert Morgan Indicted Over Fraud Allegations. (NATMORNW, HOUSEWR, REU, CFOMAG, REALDEAL, AMBNKR)**

[National Mortgage News](#) (5/23, Sinnock) says, “Four real estate professionals could face up to 30 years in prison and hefty fines after being indicted on charges related to allegedly defrauding Fannie Mae, Freddie Mac and multifamily lenders.” [HousingWire](#) (5/23, Guerin, 23K) reports Morgan Management’s Robert Morgan, “one of the largest landlords in the country who purports to have 140 properties across 14 states,” was “hit with criminal charges Wednesday by the DOJ for conspiracy to commit bank fraud, wire fraud and insurance fraud, and then slapped with civil fraud charges from the SEC for siphoning and misusing investor funds.”

[Reuters](#) (5/23, Johnson) reports the SEC “filed a complaint” against Morgan Management and “two affiliated firms for ‘siphoning and misusing investor funds’ to the tune of over \$91 million.” Robert Morgan is also “being charged with improper use of more than \$11 million in investor funds to repay an inflated loan Morgan ‘fraudulently obtained for an unrelated apartment complex,’ the SEC statement said.” The SEC is “requesting an order freezing Morgan’s assets and appointing a temporary receiver over the relevant funds on the grounds that Morgan violated the anti-fraud

provisions of federal securities laws.” [CFO](#) (5/23, Heller, 1.19M) and the [Real Deal \(NY\)](#) (5/23, 124K) provide additional coverage, and [American Banker](#) (5/23, Yacik, Subscription Publication, 31K) referenced the charges in its Morning Scan.

### **Continuing Coverage: Genworth Report Suggests First-Time Homebuyers Benefited Less From Falling Rates. (NATMORNW)**

[National Mortgage News](#) (5/23) says, “In a weak first quarter, housing activity held up better for first-time homebuyers than others, according to a new Genworth Mortgage Insurance report.” Home sales to “first-time buyers decreased 3% from a year ago. In comparison, there was a 6% year-over-year decline in existing owners buying a home during the first quarter, and cash sales were down 7%.” But first-time buyers’ average mortgage rate fell 15 bps in Q1, compared to a “41-basis-point drop in the average rate for the conventional 30-year mortgage overall, according to Freddie Mac data that Genworth analyzed.” This “suggests first-time homebuyers received less of a benefit from declining rates during the period than other groups.”

## **HOUSING FINANCE AND INDUSTRY**

### **Commerce/HUD: New-Home Sales Fell In April. (WSJ, DSN, MRKWTWCH, HOUSEWR, SCOTGUI)**

The [Wall Street Journal](#) (5/23, Nunn, Subscription Publication, 7.57M) reports new-home sales in April posted the biggest monthly drop so far in 2019. [DS News](#) (5/23, Welborn) reports, “New home sales were at a seasonally adjusted annual rate of 673,000 in April 2019, 6.9% below March’s estimate but 7.0% higher year over year, according to the latest joint release” from the Census Bureau and HUD. The “median sales price of new houses sold in April 2019 was \$342,200, and the average sales price was \$393,700.” According to Realtor.com Chief Economist Danielle Hale, “lower mortgage rates have started to entice buyers this spring and will likely lead to an eventual pick up in existing home sales in the months to come. We could see further improvement in new construction over the next year as home building still remains behind population and job growth in most areas. Strength in orders has already boosted builder confidence, as well as new construction.”

According to [MarketWatch](#) (5/23, Riquier, 1.67M), “At the current pace of sales, it would take 5.9 months to exhaust available supply, about matching the 6 months that’s traditionally been considered the marker of an evenly balanced market.”

[HousingWire](#) (5/23, Lloyd, 23K) reports Zillow economist Matthew Speakman believes the decline in sales is not a sign that the overall housing market is cooling off. He said, “The strong reading from March greatly exceeded expectations and was revised upward today; without that revision, April’s month-over-month decline would be just 2.7% – and the underlying trend in sales remains strong. Builders are finding ways to deliver homes despite expensive land and labor prices, a boon to buyers thirsty for more supply.” [Scotsman Guide](#) (5/23, Aurellano) provides similar coverage.

### **Loan Brokers’ Market Share Reaches 14.1 Percent, A New Post-Crisis High. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/23, Bancroft, Subscription Publication) reports wholesale-broker business “defied gravity” in Q1 as “new production levels increased in an otherwise declining origination environment.” Wholesale lenders “generated an estimated \$50 billion of first-lien originations” in Q1, up 13.6 percent from 4Q18 when overall originations fell 4.1 percent. The “wholesale-broker channel grew to account for 14.1% of first-quarter production, its highest market penetration since the immediate aftermath of the financial crisis.”

### **Trulia: Lower-Priced Inventory Grew By 3.5 Percent In Q1. (AP)**

The [AP](#) (5/23, Veiga) reports the US inventory of homes in the “bottom third of the market by price rose 3.5%” in Q1, the “fastest annual growth rate in at least six years, according to an analysis of the nation’s 100 largest metropolitan areas” by Trulia. However, according to Trulia economist Felipe Chacon, “In a lot of markets, it just seems like there’s just been an exhaustion of demand as opposed to an infusion of supply.”

### **NAHB: Multifamily Developers’ Confidence Declines For Third Straight Quarter. (HOUSEWR, MULTIHP)**

[HousingWire](#) (5/23, Lloyd, 23K) reports, “Multifamily developers’ confidence weakened further in the first quarter of 2019, according to” the NAHB. The NAHB’s Multifamily Production Index “retreated seven points to 40 compared to the previous quarter.” All three components (construction of low-rent units, market-rate rental units, and condos) “fell below 50 in the first quarter, marking the third consecutive quarter of declines.” NAHB Chief Economist Robert Dietz “said this quarter’s results remain consistent with the organization’s 2019 forecast,” commenting, “Multifamily housing starts experienced a gain in 2018. Even after a slight decline for starts in the first quarter of 2019, permit growth is occurring, and production should level off moving forward.” [Multihousing Professional Magazine](#) (5/23) reports the Multifamily Vacancy Index “rose three points to 48,” indicating a rise in vacancies.

### **CBO Outlines Ways To Reduce Cost And Risk Of FHA’s Reverse Mortgage Program.**

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## **(HOUSEWR)**

[HousingWire](#) (5/23, Guerin, 23K) reports the Congressional Budget Office “released a report Thursday exploring four proposed solutions for lessening the cost and risk” of the FHA’s reverse mortgage program, which “has been a drain on FHA’s flagship Mutual Mortgage Insurance Fund” in “recent years.” CBO “projects that the FHA will guarantee 39,000 HECMs in 2020, which is 8% more than the 2019 forecast but 20% less than 2018’s.” The CBO report outlines “four possible solutions to easing the cost concerns of the program, all of them drastic, none of them good – for lenders or for borrowers.”

## **UWM Is Nation’s ‘Dominant’ Wholesale Lender. (INSDMORTG)**

Behind a paywall in its Short Takes, [Inside Mortgage Finance](#) (5/23, Muolo, Subscription Publication) reports United Wholesale Mortgage is the “dominant table-funder in the nation.” A “new ranking from IMF gives UWM a 35.1% market share among 1Q19 wholesale lenders. Caliber Home Loans and Freedom Mortgage are a distant second and third, respectively, at 3.3% and 2.8%.” Meanwhile, “two non-QM lenders – Angel Oak and Citadel Servicing Corp. – ranked among the top 20 table-funders for 1Q19, at numbers 15 and 17, respectively.”

## **NewDay USA Anticipates 10 Percent Growth In VA Loan Volume For 2019. (DSN)**

[DS News](#) (5/23, Wharton) reports NewDay USA Founder and CEO Rob Posner “announced a forecast for 10% growth in VA loan volume for 2019 over last year. He said NewDay USA’s total origination volume for this year is expected to reach \$2.4 billion, compared to \$2.2 billion in 2018.” He “indicated an expected increase to 11,000 residential loan originations at NewDay USA this year, with the Operation Home purchase division assisting 2,000 veteran families buy homes by the end of the year.”

## **Prime Mortgage Lending Rebranding. (HOUSEWR)**

[HousingWire](#) (5/23, Lane, 23K) reports North Carolina-based mortgage company Prime Mortgage Lending, which is “licensed in 30 states...announced Thursday that it is rebranding and will adopt the name GoPrime Mortgage on June 1, 2019.”

## **SunTrust CTO Discusses Digital Mortgage Experience, Tech Innovation, And Merger With BB&T. (DSN)**

[DS News](#) (5/23, Albanese) interviewed SunTrust CTO Ken Meyer about technology trends in the mortgage and servicing industry and why lenders need to provide customers with a complete digital experience. He said, “Digital engagement is the way of the future. It doesn’t just start and stop where technology can help with origination. We should be looking at automation and different technologies in the future and at things like artificial intelligence and machine-learning as well as other ways to leverage data to better and quicker decisions for our clients.” He said news of the BB&T-SunTrust merger was “exciting” and “looks like a great opportunity for two purpose-driven companies to come together and bring even more value to both of our clients. Though it is still early days to comment on how we plan to leverage our digital platforms, we look forward to sharing more as soon as we can.”

## **REGULATORY NEWS**

### **Trump, Senate Reach Agreement On Disaster Aid Bill. (POLITICO, CQRC, HILL)**

[Politico](#) (5/23, Levine, Everett, Bresnahan, 4.29M) reports, “Senators reached a last-minute deal with President Donald Trump on a disaster aid package on Thursday that doesn’t include additional border funds the president sought,” citing “multiple senators.” According to Sen. John Cornyn (R-TX), “It’s \$19.1 billion, just disaster relief. People want to look at it before they vote but sounds to me like where they are headed.” Senate Minority Leader Schumer “said...that the disaster aid bill gives enough money to Puerto Rico for disaster relief and that Senate Democrats are ready to support the bill.”

[CQ Roll Call](#) (5/23, Shutt, 154K) reports Senate Appropriations Chairman Shelby said that the Senate would consider the bill Thursday afternoon.

[The Hill](#) (5/23, Carney, 2.98M) reports the deal came “after President Trump told lawmakers he would sign legislation even if money tied to the U.S.-Mexico border was dropped from the package.”

### **House Passes Bill To Reverse Administration Efforts To Weaken CFPB. (AMBNKR)**

[American Banker](#) (5/23, Haggerty, Subscription Publication, 31K) reports a bill to reverse the Trump Administration’s efforts to weaken the CFPB has passed the House along party lines. The House “passed the Consumers First Act in a 231-191 vote, with all Democrats supporting the legislation and all Republicans opposing it.” The bill “would limit the number of political appointees the CFPB can hire, restore supervision and enforcement authority in the agency’s fair-lending office, and resume supervision for the Military Lending Act, among other things.” But the bill “is unlikely to pass the Senate, which is controlled by Republicans who were critical of the agency under [former Director Richard] Cordray.”

### **Bill To Extend National Flood Insurance Program Makes Its Way To The Senate. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/23, Brooks, Subscription Publication) reports, "Legislation seeking extension of the National Flood Insurance Program through Sept. 30, 2019, is now in the Senate, after being passed by the House of Representatives last week." The National Flood Insurance Program Extension Act of 2019 "passed by a voice vote in the House on May 14." The program is set to expire May 31. House Financial Services Chairwoman Waters, who introduced the bill, stressed that Congress should implement a long-term compromise. She said, "We need a long-term reauthorization to provide certainty to homeowners and businesses, and we also need critical reforms to the program."

#### **Sen. Harris, CA Democrats Call On HUD To Withdraw Proposed Immigration Restrictions On Subsidized Housing. (HILL)**

[The Hill](#) (5/23, Axelrod, 2.98M) reports Sen. Kamala Harris "led a group of 39 California Democrats from both chambers of Congress in writing a letter" calling on HUD Secretary Carson to "withdraw a proposal that would remove thousands of immigrant families from federally subsidized homes." The California Democrats wrote, "If implemented, the rule would result in the displacement of thousands of families across the country and disproportionately affect millions of California residents."

**"It's The Law": Carson Defends Proposal.** [The Hill](#) (5/23, 2.98M) reports Carson "defended his agency's plan to evict thousands of immigrant families from federally subsidized housing," telling [The Hill](#) that it is "the law." Carson said, "The HUD Secretary is prohibited from providing housing assistance to people who are in the country illegally. [The Housing and Community Development Act of 1980] further states that if it is discovered that the home owner or the apartment leasee is harboring people who are illegal, the HUD secretary has a duty to remove them."

#### **Wexton Calls On Carson To Resign As HUD Secretary. (WP)**

The [Washington Post](#) (5/23, Moyer, 14.2M) reports Rep. Jennifer Wexton (D-VA) on Thursday called for HUD Secretary Carson to resign, "saying he is 'inept' and lied to Congress about rule changes affecting transgender people." Earlier this week, Carson appeared before the House Financial Services Committee, where Wexton asked Carson about HUD's plan for the "equal-access rule" — which "ensures equal access to individuals in accordance with their gender identity" in HUD programs. Asked by Wexton if HUD has "current or future plans to eliminate the equal-access rule?" Carson replied, "I'm not currently anticipating changing the rule." The next day, however, "HUD proposed a new rule that would allow federally funded shelters to refuse to admit people on religious grounds and force transgender women to use men's bathrooms." Wexton [tweeted](#) Wednesday, "He either lied to Congress or has no idea what policies his agency is pursuing. Either way, it's unacceptable." On Thursday, "she went further," [tweeting](#), "He's proven himself to be deceitful & inept as HUD Secretary. He should resign."

#### **Incoming CSBS Chairman Prioritizing Push For Nonbank Standards. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/23, Ivey, Subscription Publication) reports state regulators "still plan to address the growing role nonbank lenders and servicers play in the mortgage market. Establishing prudential standards for nonbanks started years ago and looked to be dormant but the incoming chairman of the Conference of State Bank Supervisors said Wednesday the issue is a priority for him." Bret Afdahl said, "A few years ago, CSBS began looking into the shift in mortgage origination and servicing from banks to nonbanks. This shift is still occurring, and we need prudential standards for those nonbanks to address capital and liquidity more consistently." Although IMF says that state regulators "proposed various standards for nonbanks, including capital requirements, in 2015," the MBA and others pushed back against the proposal.

#### **UI Pushing CFPB To Preserve Access To HMDA Data. (MORTND)**

[Mortgage News Daily](#) (5/23, Swanson) reports the Urban Institute is "urging" the CFPB "to rethink its plans" for HMDA reporting. UI researchers Laurie Goodman and Ellen Seidman "say the HMDA data is the nation's most complete record of mortgage origination activity. It helps industry experts and researchers gauge market activity by lender, geography, and race or ethnicity. This helps them assess credit availability, the riskiness of the market, potential discrimination, and the need for public and private investment in housing. Further, the data is free, public, and highly reliable and deepens the collective understanding of the market, making it more efficient and enabling informed policymaking."

#### **CFPB Reactivates Effort On Business Lending Data Rules. (LAW360)**

[Law360](#) (5/23, Subscription Publication, 8K) reports behind a paywall that the CFPB "says it's dusting off a dormant rulemaking initiative around the collection of data that's supposed to aid in fair lending enforcement, but advocates suing to force the agency to finish the project say they view the move as little more than a smokescreen." In its Spring 2019 rulemaking agenda, which was released Wednesday, the CFPB said it "is now in the process of reactivating" its effort to write rules implementing a Dodd-Frank mandate "to collect and publish data on loan applications by women-owned, minority-owned and small businesses."

#### **Continuing Coverage: HUD Secretary, Asked About REO, Responds With Oreos. (MPA)**

[Mortgage Professional America](#) (5/23, Smith) reports HUD Secretary Carson "refused to respond



properties for chocolate cookies during congressional testimony this week.” When Rep. Katie Porter (D-CA) “asked Carson about properties that fail to sell at foreclosure auctions,” real estate-owned properties (REOs), and why FHA loans have “much higher REOs” than do “comparable loans at the GSEs,” Carson responded, “An Oreo?” Carson then sent a package of Oreos to Porter, tweeting, “OH, REO! Thanks @RepKatiePorter. Enjoying a few post-hearing snacks. Sending some your way!” MPA says Porter “didn’t seem to find the gaffe amusing,” telling CNN, “The foreclosure rate continues to exist at FHA and the foreclosure proceedings and processes have been bad for over 15 years I worked in the issue.”

## **BANK INDUSTRY NEWS**

### **Federal Savings Bank CEO Accused Of Bribing Manafort For Administration Job. (WASHEX, WT, NYT, AP, BLOOM, WP, WSJ, AMBNKR, REU, NBCNEWS, FT)**

The [Washington Examiner](#) (5/23, Quinn, 448K) reports Stephen Calk, CEO of the Chicago-based Federal Savings Bank “has been indicted by a federal grand jury for seeking a senior position in the Trump Administration in exchange for the approval of \$16 million in loans to former Trump campaign chairman Paul Manafort.” Calk “was charged with one count of financial institution bribery for his role in the scheme and faces up to 30 years in prison.”

The [Washington Times](#) (5/23, Mordock, 492K) says Calk “was appointed as an economic adviser to then-candidate Trump’s campaign in the summer of 2016 after his bank approved a \$5.4 million loan to Manafort, federal prosecutors said.” Citing the indictment, the [New York Times](#) (5/23, Rashbaum, Weiser, 18.61M) says that after the 2016 election, Calk sent Manafort a list of 10 positions in which he was interested including Treasury Secretary, Commerce Secretary, and Defense Secretary. Manafort “made two calls on Mr. Calk’s behalf in late 2016 to officials on Mr. Trump’s transition team, urging them to appoint Mr. Calk secretary of the Army, the indictment said.”

The [AP](#) (5/23, Neumeister) says Manafort “lobbied Trump’s son-in-law, Jared Kushner, to consider Calk for Secretary of the Army, according to emails from the weeks leading up to the 2016 election shown to jurors at Manafort’s tax evasion and bank fraud trial last year.” [Bloomberg](#) (5/23, Farrell, 4.73M) says Manafort emailed Kushner after the election “to ask the incoming administration to consider giving” Calk a “major appointment.” On Nov. 30, 2016, Kushner replied, “On it!” According to the [Washington Post](#) (5/23, Merle, Helderman, 14.2M), Calk “ultimately was interviewed as a candidate for undersecretary of the Army but did not get the job, prosecutors said.”

According to The [Wall Street Journal](#) (5/23, Hong, Subscription Publication, 7.57M), after the paper first disclosed in 2017 that Calk served as a campaign adviser to Trump around the time his bank issued \$16 million in loans to Manafort, bank examiners at the OCC met with Calk and other bank employees to ask about the story, according to the indictment. The Journal reported Manafort got the financing to avoid a pending foreclosure on his Brooklyn townhouse. Calk falsely told the OCC examiners that the bank did not know about the foreclosure proceeding, prosecutors alleged.

[Bloomberg](#) (5/23, Martin, Van Voris, 4.73M) reports that in July 2017, the OCC downgraded the credit quality of Manafort’s loans to “substandard.” After Manafort was charged in October 2017, “he stopped making payments on the loan, and Federal Savings Bank has written off more than \$12 million as a loss.”

In July 2018, right before Manafort went on trial, [American Banker](#) (5/23, Wack, DiCamillo, Subscription Publication, 31K) reports Calk met with two senior OCC supervisors and “falsely asserted that he had never wanted to be hired for a position in the Trump Administration, according to the [indictment].” Also according to the indictment, Calk authorized a maneuver that Federal Savings Bank had never previously performed to issue the Manafort loans “without violating the bank’s legal limit on loans to a single borrower.” The maneuver “allegedly involved the bank’s holding company, National Bancorp Holdings, which Calk controlled, acquiring a portion of the loans from the bank.” In a statement, Federal Savings Bank said that Calk has been on “a complete leave of absence and has no control over or involvement with the bank. ... Further, there is no suggestion of any wrongdoing on the part of the bank.” An OCC spokesperson “declined to discuss the indictment, saying in an email that the agency will not comment on such matters pertaining to specific individuals.”

[Reuters](#) (5/23, Lynch, Layne), [NBC News](#) (5/23, 6.14M), and the [Financial Times](#) (5/23, Shubber, Subscription Publication, 1.34M) also report, mentioning the OCC’s connection to the story.

### **JPMorgan Cuts Ties With Purdue Pharma. (REU, FT)**

[Reuters](#) (5/23, Spector, Dinapoli) reports JPMorgan Chase has cut ties with its client Purdue Pharma “over the OxyContin maker’s alleged role in the US opioid crisis, forcing it to find a new bank to manage cash and bill payments, people familiar with the matter said on Thursday.” The move makes JPMorgan “the most high-profile corporation known to have distanced itself from Purdue and its wealthy owners, the Sackler family, amid thousands of lawsuits alleging the company pushed addictive painkillers while downplaying their abuse and overdose risks.” The decision also underscores a drive among banks in the US to reassess their relationships with politically risky industries. After JPMorgan told Purdue in March that it needed to find another bank within six months, Purdue “tapped Dallas-based regional bank Comerica Inc to handle its financial

transactions and accounts, the sources said.” JPMorgan “told Purdue that reputational risks associated with the public backlash against the drugmaker informed its decision to cut business ties, the sources added.”

The [Financial Times](#) (5/23, Kuchler, Noonan, Subscription Publication, 1.34M) also reports.

### **Banks Borrowing Excess Reserves Could Undermine Fed’s Credibility. (REU)**

[Reuters](#) (5/23, Hunnicutt) reports major US banks have “stashed \$1.2 trillion with the Fed as of January, even though they estimate they only need \$700 billion in reserves, the central bank said...Thursday, based on survey data covering much of the market.” Yet, banks “sometimes need more reserves than they have, pushing them to borrow.” Strong demand for that funding “could push the Fed’s target federal funds rate up more than it wants, undermining its credibility.” After its May meeting, the Fed “tweaked the interest on excess reserves (IOER) for a third time since June 2018 without changing the fed funds target in a bid to hold down borrowing rates.” Minutes from that meeting, released Wednesday, showed Fed officials were concerned that some “banks were operating with reserve balances closer” to the least amount they indicated would be comfortable. Reuters adds, “Further pressure on borrowing costs could force additional IOER cuts, or even adjusting the Fed’s scheduled timetable for ending the runoff of assets from its balance sheet.”

### **Additional Reading. (AMBNKR)**

- **Why keep branches around? They make great billboards.** [American Banker](#) (5/23, Subscription Publication, 31K)
- **Once dismissive of fintechs, traditional lenders now feeling their bite.** [American Banker](#) (5/23, Subscription Publication, 31K)

## **TOP TREASURY NEWS**

### **British Prime Minister Theresa May Resigning. (WSJ)**

The [Wall Street Journal](#) (5/24, Colchester, Subscription Publication, 7.57M) reports that after repeatedly failing to secure Parliament’s support for a Brexit agreement with the EU, British Prime Minister Theresa May announced she will resign on June 7. The Conservative leadership contest will begin June 10, and May will remain until a new leader is selected.

### **Warren, Ocasio-Cortez “Blast” Mnuchin Over Role In Sears Bankruptcy. (CQRC, WT, POLITICO, WP, HILL, BLOOM, NYDN, CNBC, FOXB, HUFFPOST, YAHOO, CHIT, FOX, NYPOST, BIZINDER)**

[CQ Roll Call](#) (5/23, Lesniewski, 154K) reports Sen. Elizabeth Warren (D-MA) and Rep. Alexandria Ocasio-Cortez (D-NY) have made a video to “blast” Treasury Secretary Steven Mnuchin for his role in the Sears bankruptcy. The pair “are questioning Mnuchin’s actions as a member of the Sears board and his longstanding ties to Eddie Lampert, the Sears CEO” who was his college roommate.

The [Washington Times](#) (5/23, Vogt, 492K) reports that in a letter to the Treasury Secretary, the two “said they were ‘deeply concerned’ Mr. Mnuchin may have helped drive Sears to bankruptcy to make money off of its failure, which led to billion-dollar losses and almost 250,000 employee layoffs.” They wrote, “We are deeply concerned by the financial engineering and potentially illegal activity that took place at Sears Holding Corporation while you served on the company’s board. We are concerned that, as Treasury Secretary, you are in position to take actions that benefit Sears’ shareholders and owners at the expense of workers and taxpayers,” and asked for answers to attached questions in mid-June.

[Politico](#) (5/23, Warmbrodt, 4.29M) reports Warren and Ocasio-Cortez “also asked Mnuchin whether he has been involved in any discussions about Sears’ pension plans as a board member of the Pension Benefit Guaranty Corporation, the federal agency that oversees private pension plans.” The piece notes that last month, Sears “named Mnuchin in a lawsuit against” Lampert, “a close friend of the Treasury secretary, alleging that board members helped Lampert and his hedge fund strip more than \$2 billion from the company.” Ocasio-Cortez said in the video: “Mr. Mnuchin is President Trump’s Treasury secretary, and he is a walking example of what happens when rich and powerful people put other rich and powerful people into power.”

The [Washington Post](#) (5/23, Bhattarai, 14.2M) reports the lawmakers “say they want to know how Mnuchin advised Lampert and other executives on a number of decisions, including billions of dollars worth of stock buybacks and real estate spin-offs that ultimately benefited Lampert and his hedge fund, ESL Investments. They also want to know whether Lampert or other board members have tried to communicate with Mnuchin about the company’s pension plans.”

[The Hill](#) (5/23, Lane, 2.98M) reports that a Mnuchin spokesman “did not immediately respond to a request for comment.”

Also covering the topic are [Bloomberg](#) (5/23, 4.73M), The [New York Daily News](#) (5/23, Goldiner, 2.52M), [CNBC](#) (5/23, Breuninger, Hirsch, 3.62M), [Fox Business](#) (5/23, Henney, 1.73M), [HuffPost](#) (5/23, 1.67M), [Yahoo! News](#) (5/23, 12.82M), The [Chicago Tribune](#) (5/23, 2.65M), [Fox News](#) (5/23, Dorman, 27.59M), The [New York Post](#) (5/23, Moore, 4.57M), and [Business Insider](#) (5/23, Relman, 3.67M).

### **Administration Announces Plan To Expand Penalties For Currency Manipulators. (NYT, BLOOM, REU, FT)**



The [New York Times](#) (5/23, Swanson, Rappeport, 18.61M) reports the Administration announced on Thursday plans to “penalize countries that undervalue their currencies, the latest effort to prevent foreign competitors from trying to undercut American producers and import cheap goods into the United States.” Under a rule change proposed by the Commerce Department, the US would “expand its ability to penalize countries that manipulate their currencies.” The Times says the move, “which could be aimed at China, Germany, South Korea and other countries, is likely to provoke controversy among foreign allies and could result in challenges at the World Trade Organization.” The piece explains that the proposed rule “would build on a process that already exists at the Treasury Department to determine whether foreign countries manipulate their currencies.” If the Treasury Department “decides another country has taken action to undervalue its currency, the Commerce Department will determine whether a tariff should be levied.” The Times notes a Treasury spokesman “said that the proposal would not infringe on the department’s authority to determine if a country is a currency manipulator.” While Treasury has “opted not to label countries like China as a currency manipulator,” in its most recent currency report, last October, it “criticized China’s trade and currency practices but still did not conclude that Beijing was improperly devaluing its currency.” Treasury Secretary Steven Mnuchin “has said that he is considering changing the criteria to broaden the definition of currency manipulation.” The piece adds that the Treasury Department “was expected to release its biannual currency report in mid-April but it has yet to do so.”

[Bloomberg](#) (5/23, 4.73M) reports President Trump has “long threatened to label China a currency manipulator and his administration has been examining how to take a more aggressive approach to what is now a largely technical exercise by Treasury to determine whether any currency manipulation has taken place.” Commerce Secretary Wilbur Ross said in a statement, “This change puts foreign exporters on notice that the Department of Commerce can countervail currency subsidies that harm U.S. industries. Foreign nations would no longer be able to use currency policies to the disadvantage of American workers and businesses.”

[Reuters](#) (5/23, Lawder, Brice) and the [Financial Times](#) (5/23, Politi, Subscription Publication, 1.34M) also report on the story.

**Mnuchin Meets With Vietnamese Official.** [Bloomberg](#) (5/23, 4.73M) reports Mnuchin “said he met with Vietnamese officials on Thursday, after the U.S. indicated earlier this month that the country was under scrutiny for possibly manipulating its currency.” Mnuchin tweeted that he had a “productive meeting” with Vietnam’s Deputy Prime Minister and Minister of Foreign Affairs Pham Binh Minh. Sources say the US may “accuse Vietnam of artificially holding down the value of its currency, the dong, in an upcoming semi-annual report from Mnuchin’s department.”

#### **Neal To Sue Administration Over Trump’s Tax Returns. (WASHEX, MSNBC, GQ, BLV, WP)**

The [Washington Examiner](#) (5/23, Wilhelm, 448K) reports House Ways and Means Committee Chairman Richard Neal (D-MA) “said Thursday that he plans to take the Trump administration to court to enforce a subpoena and a legal request to review President Trump’s tax returns.” When asked if he was planning to sue, he said, “I’ve always thought that’s where this was going to end up,” adding that the committee was “likely to have some action on [Trump’s taxes] in a few days.” The piece says the move “was expected after Treasury Secretary Steven Mnuchin declined Neal’s demand for Trump’s tax information and then declined to cooperate with a subsequent subpoena, claiming Neal’s request lacks a legitimate legislative purpose.” Rep. Katie Porter (D-CA) said in an interview with [MSNBC](#) (5/23, 7.86M) that Mnuchin’s opinion on tax returns is “dead wrong.”

Jay Willis writes in [GQ](#) (5/22, 6.74M) that “for Mnuchin, his personal relationship with Trump and his professional stake in Trump’s electoral future are paramount, and those in his employ understand that he treats protecting the president from political damage as his most important job responsibility.” He adds, “The only role of lawyers, as Mnuchin sees it, is to reverse-engineer an analysis to justify the means by which he accomplishes those ends, no matter how dubious the reasoning may be. Any and all countervailing viewpoints will be filed directly to the trash.”

Timothy O’Brien writes in [Bloomberg View](#) (5/23, 4.73M) that “we’re still waiting to see the legal basis for Mnuchin’s position...The Justice Department (overseen by the most transparent president in history and run by his appointee, William Barr) didn’t go as far as warning the Treasury Secretary that he would break the law by releasing the tax returns.” He notes Mnuchin “said the Justice Department’s reasoning would be memorialized in a published legal opinion ‘as soon as practicable.’ More than two weeks have passed and that legal opinion has yet to arrive.” He continues: “If and when it does, it may contain language noting that Mnuchin would be violating the law by releasing the returns (especially now that he has testified to that effect). Still, Mnuchin’s primary argument for keeping the taxes covered up has been what he describes as a Congress hobbled by a lack of legislative purpose.”

The [Washington Post](#) (5/23, Blake, 14.2M) also covers the topic.

#### **Washington Post Slams Mnuchin’s Decision On New \$20 Bill. (WP, SYPS, NSWK, MSNBC, ESSNCE, VANFAIR, HILL)**

A [Washington Post](#) (5/23, 14.2M) editorial is critical of Treasury Secretary Steven Mnuchin’s decision to delay the planned rollout of Harriet Tubman \$20 bills to 2028, saying his explanation, the need to address counterfeiting issues, “would be laughable if it were not so insulting. Are we really expected to believe that the administration, one that boasts about its can-do capabilities, needs eight more years to implement a new design?” The editors argue that it is “more likely that Mr. Mnuchin, as the New York Times reported, feared President Trump would cause an uproar with an outright cancellation of a bill bearing Tubman’s image.”

The [Syracuse \(NY\) Post-Standard](#) (5/23, 531K) reports Rep. John Katko (R-NY) "said Thursday that President Donald Trump's administration has no legitimate excuse for a delay in making Harriet Tubman the face of the \$20 bill." He called for Congress to "force the issue by passing his legislation that would require Tubman to be featured in place of Andrew Jackson on \$20 notes printed after Dec. 31, 2020."

Also covering the topic are [Newsweek](#) (5/23, Silva, 1.53M), [MSNBC](#) (5/23, 7.86M), The [Washington Post](#) (5/23, Stanley-Becker, 14.2M), [Essence Magazine](#) (5/23, 6.95M), and [Vanity Fair](#) (5/23, Nguyen, 9.08M).

***New York Designer Creates Stamp To Put Harriet Tubman On Existing \$20 Bills.***

The [Washington Post](#) (5/23, Brown, 14.2M) reports that "minutes after Treasury Secretary Steven Mnuchin said Wednesday that he was delaying the new Harriet Tubman \$20 bill until 2028, a New York designer tweeted: 'We'll see about that.'" Dano Wall has created "a 3-D stamp that can be used to superimpose a portrait of Tubman over Andrew Jackson's on \$20 bills." Wall said he has "sold out of the stamps and is hurrying to produce more." Wall told the Post, "My goal is to get 5,000 stamps out there. If there are 5,000 people consistently stamping currency, we could get a significant percent of circulating \$20 bills [with the Tubman] stamp, at which point it would be impossible to ignore." [The Hill](#) (5/23, Bowden, 2.98M) also reports.

**Pompeo: Huawei's Ties To Chinese Communist Party Threaten Security Of Information. (REU, CNBC, BLOOM, WSJ, LAT, NYT, WP)**

[Reuters](#) (5/23, Chiacu, Qiu) reports the US and China "had a heated exchange" on Thursday, with Secretary of State Mike Pompeo "accusing Chinese telecom giant Huawei Technologies of lying about its ties to the government and Beijing saying Washington must end its 'wrong actions' if it wanted trade talks to continue." On CNBC, Pompeo said, "We've been working at the State Department to make sure that everyone understands the risks" of working with Huawei, and said, "The company is deeply tied not only to China but to the Chinese Communist Party. And that connectivity, the existence of those connections puts American information that crosses those networks at risk."

[CNBC](#) (5/23, Bursztynsky, 3.62M) reports "there's been no meeting scheduled between Treasury Secretary Steven Mnuchin and Chinese officials regarding talks to end the U.S.-China trade war, but Pompeo said he's hoping that changes soon." He said, "It is important for the conversation to continue. I've seen them make real progress, and I hope that they can continue to make it."

[Reuters](#) (5/23, Chiacu, Qiu) reports President Trump "said on Thursday U.S. complaints against Huawei Technologies Co Ltd might be resolved within the framework of a U.S.-China trade deal, while at the same time calling the Chinese telecommunications giant 'very dangerous.'" He stated: "You look at what they've done from a security standpoint, from a military standpoint, it's very dangerous. If we made a deal, I could imagine Huawei being possibly included in some form or some part of it." The piece adds that Trump "predicted a swift end to the trade war with China, although no high-level talks have been scheduled between the two countries since the last round of negotiations ended in Washington two weeks ago." He is expected to meet Chinese President Xi Jinping at a G20 summit in Japan June 28-29, "around the time when the next levies could be ready, according to U.S. Treasury Secretary Steven Mnuchin's calculations."

Meanwhile, [Reuters](#) (5/23, Hunnicutt, Lange) reports the newest round of US tariffs on Chinese imports "will cost the typical American household \$831 annually, researchers said on Thursday, as the Trump administration came under growing political pressure over its trade war with China." Research published by the New York Fed "estimated that as tariffs grow larger, importers have more of an incentive to switch to goods from more expensive countries. That could end up reducing the revenue the United States is able to collect from its tariffs on Chinese goods, the authors of the report wrote." The piece explains that "while many economists expect the tariffs will push U.S. consumer prices higher, U.S. Treasury Secretary Steven Mnuchin told lawmakers on Wednesday that rising tariffs on Chinese imports will not lead to significant cost increases for U.S. families." Rep. Cindy Axne (D-IA) wrote in a letter a day after Mnuchin appeared before the House Financial Services Committee, "It appears beyond evident that consumers will pay this price," asking Mnuchin to share the Treasury's internal research on how the tariffs could affect consumer prices. Reuters adds that Mnuchin has "said some companies would source products from countries other than China, potentially shielding U.S. consumers from price hikes, and that currency effects, reduction in profit margins and other factors would also mitigate the impact of prices."

[Bloomberg](#) (5/23, 4.73M) reports US companies are "paying almost all the costs from Donald Trump's tariffs on Chinese imports, IMF researchers said in findings that contradict the president's assertions that China is footing the bill." IMF researchers found "tariff revenue collected has been borne almost entirely by U.S. importers," according to the Fund's blog post released Thursday. "Some of these tariffs have been passed on to U.S. consumers, like those on washing machines, while others have been absorbed by importing firms through lower profit margins."

***Lighthizer Continues Efforts At Deal With China.*** The [Wall Street Journal](#) (5/23, Mauldin, Subscription Publication, 7.57M) offers an extended look at the negotiating approach of USTR Lighthizer and the particular difficulties he faces in negotiating with China.

***Bloomberg Analysis: New Trump Tactic Is To Deny US Goods To China.*** [Bloomberg](#) (5/23, Donnan, Leonard, 4.73M) reports that President Trump is now engaged in an effort to block US exports that are important to China rather than focusing on tariffs on or restrictions against Chinese goods in the US. Bloomberg says this strategy may be more effective.

**LATimes Analysis: Some Manufacturers Leaving China To Avoid Tariffs, Reduce Costs.** The [Los Angeles Times](#) (5/23, Su, 4.64M) reports, "The tit-for-tat trade war between Washington and Beijing is pushing some foreign manufacturers to move factories out of China — not to the United States...but to a 'second China,' in Southeast Asia." The Times adds, "Low-end manufacturers, facing rising wages and increased labor and environmental controls, had already started leaving China to seek cheaper labor."

**NYTimes Analysis: China's Rare Earth Minerals Could Be Used As Trade Weapon.** The [New York Times](#) (5/23, Bradsher, 18.61M) reports Chinese President Xi Jinping "strode this week through a high-ceilinged factory that makes magnets out of rare earths, minerals that are essential to global manufacturing and a sector that his country dominates." While Xi "did not threaten to block supplies of rare earths to the United States," the Times says "he didn't have to. The veiled threat, broadcast over state-run news media this week as President Trump ratcheted up his trade war against Beijing, was clear." The Times says China's "command of the rare-earth market could give Beijing a way to strike back at Mr. Trump as he raises tariffs and deprives Chinese companies of the technology they need to survive."

**LATimes Analysis: Chinese Media Becoming More Nationalistic On Trade Coverage.** The [Los Angeles Times](#) (5/23, Dixon, 4.64M) reports, "Chinese media coverage of the trade war turned sharply nationalistic" with "references to national dignity and the willingness of the Chinese people to suffer any burden in the confrontation with the US."

**WPost Analysis: Republican Governors "Walk Tightrope" Between Building China, Trump.** The [Washington Post](#) (5/23, Craig, 14.2M) reports Kentucky Gov. Matt Bevin "gathered 400 Chinese political and business leaders...to deliver a simple message: US states, and especially Kentucky, want a lucrative relationship with them that rises above President Trump's ongoing trade dispute with China." However, "when the Republican governor tried to deliver a personal message from Trump, whom he had spoken to Wednesday night, the audience only laughed." The Post says the "skeptical chuckling from the audience reflects the growing tensions between the White House and foreign leaders as trade battles with Europe and China drag on with little sign of abating. That standoff is a growing concern for US governors, who fear higher tariffs could weaken state economies."

**US Stocks Close Lower As Trade Tensions Persist.** [Reuters](#) (5/23, Joyner) reports US stocks "slumped on Thursday as investors dumped shares of technology companies...on fears that the escalating trade war between United States and China would stymie global economic growth." The [Wall Street Journal](#) (5/23, Wursthorn, Horner, Subscription Publication, 7.57M) reports the Dow Jones Industrial Average fell 286 points, or 1.1%, while the S&P 500 shed 1.2% and the Nasdaq Composite gave up 1.6%.

### **Trump Signs Order To Restrict Welfare Use By Non-Citizens. (BREITBART, BLOOM, CALLER, WT, USAT)**

[Breitbart](#) (5/23, Binder, 673K) reports President Trump on Thursday signed a presidential memorandum "cracking down on welfare-dependent legal immigration to the United States in an effort to protect American taxpayers." The order ensures federal agencies will enforce 1996 laws signed by then-President Bill Clinton, "which seek to save American taxpayers by having their public welfare funding benefits reimbursed when they are used by a legal immigrant." [Bloomberg](#) (5/23, Talev, Sink, 4.73M) reports the law was "never fully implemented, and it's not clear how it would work in practice. The presidential order extends across government, from the Treasury Department, the State Department and Homeland Security, to departments and agencies covering Social Security, education, transportation, housing, health, labor, agriculture and the president's budget director."

In a story posted before Trump signed the order, the [Daily Caller](#) (5/23, Athey, 716K) reported that the law "requires sponsors of immigrants to the U.S. to reimburse the government for any welfare benefits received by the person they are sponsoring." The [Washington Times](#) (5/23, Dinan, 492K) says the White House "cast the move as part of the president's new push to revamp the legal immigration system."

[USA Today](#) (5/23, Fritze, Collins, Gomez, 10.31M) reports that although critics argue "that such moves unfairly punish low-income immigrants, who sometimes need assistance to get started in the U.S.," the White House "counters that too many immigrants take advantage of U.S. generosity, pointing out that 58% of all households headed by a non-citizen use at least one welfare program."

### **US Designates Online Pharmacy, Eight Argentinians, As Foreign Narcotics Traffickers. (AP, REU, WSJ, BLOOMLAW)**

The [AP](#) (5/23, Lugo) reports the US has sanctioned the "Argentina-based online pharmacy Goldpharma and eight Argentine citizens," based on a designation that they are "significant foreign narcotics traffickers." A Treasury Department Office of Foreign Assets Control news release "said...Goldpharma sells illicit opioids to customers located in the United States through its nine entities located in Argentina, Colombia, Canada, the United Kingdom, and the Netherlands." The Treasury allegations mean that all US property owned by "designated entities will be blocked, including seven companies in three states and four condominiums in Miami."

[Reuters](#) (5/23) quotes Treasury Under Secretary for Terrorism and Financial Intelligence Sigal Mandelker as saying, "The Goldpharma network illustrates the sophisticated tactics drug traffickers and money launderers use to capitalize on the Internet and online pharmacy sites to sell...illicit narcotics around the world." The [Wall Street Journal](#) (5/23, Sun, Subscription

Publication, 7.57M) reports that Treasury's move is part of an Administration effort to help curb the US opioid crisis.

[Bloomberg Law](#) (5/23, Subscription Publication, 4K) also reports on the story.

#### **Explainer: How Banks Report Suspicious Activity. (BLOOM)**

[Bloomberg](#) (5/23, 4.73M) reports, "Banks and other financial institutions have been required to file suspicious activity reports to the US Treasury since 1992." SARs are "meant to alert the authorities to potential money laundering, the financing of terrorists, sanction violations or political corruption." After going through an internal review at the bank, Treasury's FinCEN "acts like a giant clearinghouse where all the SARs initially land, are looked at and then, if deemed noteworthy, forwarded to the relevant law enforcement authority," such as the FBI or the local police department. Bloomberg notes the recently publicized issue with Deutsche Bank's compliance staff failing to send SARs prepared "for certain transactions in 2016 and 2017 that involved companies controlled by Trump and his son-in-law Jared Kushner" to FinCEN, as reported by the New York Times. Treasury Secretary Steve Mnuchin "told Congress that he would have FinCEN look into whether the bank has the right policies on filing SARs."

#### **TIGTA: Billions In Nonpayroll Taxes Going Unreported. (LAW360)**

[Law360](#) (5/23, Subscription Publication, 8K) reports behind a paywall that "banks and other financial institutions are underreporting or not reporting billions of dollars in withheld nonpayroll taxes to the IRS, potentially letting substantial tax revenue go uncollected," according to the Treasury Inspector General for Tax Administration.

### **TOP ECONOMIC NEWS**

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#### **Treasury Yields Drop Slightly. (BLOOM)**

[Bloomberg](#) (5/23, 4.73M) reports the yield on 10-year Treasuries "dipped less than one basis point to 2.32%" as of 8:17 a.m. in London, "the lowest in more than 18 months."

#### **Dollar Falls. (REUUK)**

[Reuters \(UK\)](#) (5/24, Ramnarayan) reports, "The dollar edged away from two-year highs on Friday after weak US manufacturing activity data sparked worries that the trade conflict with China may hurt the world's largest economy and affect the currency's safe-haven status." The dollar index against six major rivals "was down 0.2% at 97.686 in early European trade and 0.7% off a two-year high of 98.371 hit the previous session." Against the yen, the dollar "edged down to 109.50 yen, extending losses overnight, when it gave up two-thirds of a percent, its steepest drop in a single session in two months."

#### **Gold Holds Steady. (REUAF)**

[Reuters \(AF\)](#) (5/24, Sethuraman N R, 5K) reports, "Gold prices held steady on Friday after rising above \$1,280 in the previous session as weak US data pushed the dollar off 2-year highs and reignited hopes of a rate cut by the Federal Reserve this year." Spot gold "was steady at \$1,283.21 per ounce by 0653 GMT, after rising as much as 1.1% to a one-week peak of 1,287.23 in the previous session." Meanwhile, US gold futures "for June were down 0.2% at 1,283.10."

#### **Oil Rises. (REU)**

[Reuters](#) (5/24, Gloystein) reports, "Oil prices recouped around 1% on Friday but were on track for their biggest weekly loss this year after swelling inventories and jitters over an economic slowdown led to big falls earlier in the week." Brent crude futures "were at \$68.48 per barrel at 0654 GMT, up 72 cents, or 1.1%, from their last close, with prices underpinned by OPEC supply cuts and Middle East tensions." West Texas Intermediate crude futures "were up 66 cents, or 1.1%, at \$58.57 per barrel."

### **THE BIG PICTURE**

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#### **Headlines From Today's Front Pages.**

##### **Wall Street Journal:**

[Trump Administration Rolls Out \\$16 Billion Farm-Aid Program](#)  
[House Passes Bill Making Big Changes To U.S. Retirement System](#)  
[India's Narendra Modi Wins Re-Election With Strong Mandate](#)  
[Why A Magazine Giant Wanted Nothing To Do With Time And Fortune](#)  
[Facebook Curbs Incentives To Sell Political Ads Ahead Of 2020 Election](#)  
[Note To HOV Lane Cheaters: That Mannequin Isn't Fooling Anyone](#)

##### **New York Times:**

[Assange Indicted Under Espionage Act, Raising First Amendment Issues](#)  
[Harvey Weinstein Is Said To Reach \\$44 Million Deal To Settle Lawsuits](#)  
[Trump Gives Farmers \\$16 Billion In Aid Amid Prolonged China Trade War](#)  
[4 Women With Lives Scarred By Genital Cutting: Could A Surgeon Heal Them?](#)



[Trump And Pelosi Trade Barbs, Both Questioning The Other's Fitness](#)  
[Narendra Modi, India's 'Watchman,' Captures Historic Election Victory](#)

**Washington Post:**

[President Pushes For Firm To Win Border Deal](#)  
[Pelosi, Trump Insults Reflect Jockeying For Gains In 2020](#)  
[Evans Clients Had Interests Before District Government](#)  
[India's Modi Wins In Landslide With Hindu Nationalist Message](#)  
[Senate Passes Disaster-Aid Bill, Minus Border Funds](#)  
[Assange Hit With Spying Charges](#)

**Financial Times:**

[Modi On Course For Landslide In Indian Elections](#)  
[Google To Buy NY Building For 100 Times 1996 Price](#)  
[Tyson Eyes Kazakh Beef As Route To China](#)

**Washington Times:**

[Trump Rips Pelosi Over Trade Deal To Help Farmers: 'She's Got To Get Up To Snuff'](#)  
[Trump Orders Immigrant Welfare Crackdown, Reimbursements](#)  
[War Heroes: Thriller Filmmaker Shares Inspiration From Stories Of American Soldiers](#)  
[FCC Report Exposes Lax Oversight, Inaccurate Grading At Industry-Run TV Ratings Board](#)  
[India's Modi Pressured By Trump's Iran Sanctions, Sagging Economy After Electoral Mandate](#)  
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**Story Lineup From Last Night's Network News:**

**ABC:** Severe Weather; Trump-Pelosi; American Taliban Freed; Florida-Infant Dies In Hot Daycare Van; US-Iran Tensions; Julian Assange-New Indictment; Utah Man Dies After Reaching Mt. Everest Summit; Trade War; Texas-8-Year-Old Kidnapped; Boston-Celebrity Chef Mario Batali-Battery & Assault Charges; Florida-Plane Crash; Gas Prices; Live Performances Of 'All In The Family' & 'The Jeffersons.'

**CBS:** Severe Weather; Deaths Of Migrant Children In US Custody; Trump-Pelosi; US-Iran Tensions; American Taliban Freed; Boeing 737 MAX Investigation; Philadelphia-Panhandler Shot By Police; Julian Assange-New Indictment; Utah Man Dies After Reaching Mt. Everest Summit; Vietnam War Memorial; First Couple Visits Arlington National Cemetery; Texas Fifth Grader Wins National Geographic Geo Bee.

**NBC:** Severe Weather; Weather Report; Julian Assange-New Indictment; American Taliban Freed; Trump-Pelosi; Disaster Aid Package; Boeing 737 MAX Investigation; Oregon-Student Falls To Her Death Trying To Take Selfie; Effects Of Parents' Tech Use On Children; Boston-Celebrity Chef Mario Batali-Battery & Assault Charges; Gas Prices; MLB Pitcher Sets Up Refuge For Kids In Africa.

**Network TV At A Glance:**

American Taliban Freed – 5 minutes, 30 seconds  
Trump-Pelosi Julian – 5 minutes, 15 seconds  
Assange-New Indictment- 2 minutes, 35 seconds

**Story Lineup From This Morning's Radio News Broadcasts:**

**ABC:** Trump-Pelosi; Barr-Declassify Russia Investigation Documents; Julian Assange-New Indictment; Kansas-Flooding.

**CBS:** Missouri-Tornado Strikes State Capital; Harvey Weinstein-Settlement; Trump-Pelosi; Mueller-Testify In Private.

**FOX:** Barr-Declassify Russia Investigation Documents; Trump-Aid For Farmers; First Couple Visits Arlington National Cemetery; Julian Assange-New Indictment.

**NPR:** Barr-Declassify Russia Investigation Documents; Julian Assange-New Indictment; Disaster Aid Package; Trump-Aid For Farmers; Stocks.

## **SOCIAL MEDIA RECAP**

**Key Social Conversations.**

A Bulletin Intelligence analysis of social media activity found that FHFA- and GSE-related engagement was slightly down on Thursday. The tweets generating the most impressions included a HousingWire tweet about Freddie's latest mortgage rates (109K) and a National Mortgage News tweet linking to Alex Pollock's opinion piece on giving the GSEs the "same capital standards as everybody else" (44K). Some GSE stockholders also speculated that Director Calabria and the Administration might unveil the housing finance reform proposals from Treasury and HUD on June 3.

- National Mortgage News tweeted (2 retweets, 5 likes, 44K impressions):



**National Mortgage News**  
@NatMortgageNews



Voices: Give #FannieMae, #FreddieMac the same capital


FHFA-19-0753-A-000107



standards as everybody else [trib.al/UNVZGIT](http://trib.al/UNVZGIT)

3:04 PM - 23 May 2019


- Alec Mazo tweeted (8 retweets, 36 likes, 7.1K impressions):

 **Alec Mazo** ✓  
@Alec\_Mazo

Bankers want 4% capital standard for the GSEs... mortgage rates go up as a result and big banks make more \$\$\$ on the spread between sources & uses of cash. Most efficient yet safe/sound capital reqs are 2.5%. Will @FHFA settle at 3.25%? Blueprint is ready. \$fnma

5:10 PM - 23 May 2019


- HousingWire tweeted (6 retweets, 2 likes, 109K impressions):

 **HousingWire**  
@HousingWire

Freddie Mac: Mortgage rates at one-year low after falling four consecutive weeks [bit.ly/2WpbodW](http://bit.ly/2WpbodW)

10:25 AM - 23 May 2019


- @pgray41 tweeted (12 retweets, 42 likes, 891 impressions):

 **InvestIt**  
@pgray41

\$FNMA \$FMCC I'm thinking that we may finally hear the details of the finalized HUD-FHFA-Treasury Reform Plan Here-> [hud.gov/Innovative\\_Hou...](http://hud.gov/Innovative_Hou...)

1:29 PM - 23 May 2019

- NAR Realtor Party tweeted (10 retweets, 11 likes, 50K impressions):

 **REALTOR® Party**  
@NARRealtorParty

Consumers with #StudentLoanDebt often have to delay financial goals, like buying a home. For those who want the benefits of ownership before their debt is paid off, Fannie Mae has options that can make it easier to qualify and handle the monthly payments. [ow.ly/A9DX30oQaai](http://ow.ly/A9DX30oQaai)

10:00 AM - 23 May 2019

## D.C. SCHEDULE

### Today's Events In Washington.

#### White House:

- President Trump — and First Lady Melania Trump depart Washington, DC, en route to Japan, to become the first state guests of the new Emperor Naruhito.
- Vice President Pence — no public schedule released.

#### US Senate:

- Helsinki Commission briefing on trade-based money laundering – Helsinki Commission briefing on 'Understanding Trade-Based Money Laundering' (TBML), with a panel of former Department of the Treasury Special Agent John Cassara, Global Financial Integrity Policy Director Lakshmi Kumar, and Luna Global Networks President and CEO David Luna examining what TBML is, why it has become such a ubiquitous method of laundering, and the interplay of illicit commerce, global corruption, and TBML

*Location: Rm 2360, Rayburn House Office Building, Washington, DC; 9:30 AM*

- Congress breaks for Memorial Day recess – Congress breaks for Memorial Day District Work Period (aka State Work Period).

#### US House:

- Helsinki Commission briefing on trade-based money laundering – Helsinki Commission briefing

on 'Understanding Trade-Based Money Laundering' (TBML), with a panel of former Department of the Treasury Special Agent John Cassara, Global Financial Integrity Policy Director Lakshmi Kumar, and Luna Global Networks President and CEO David Luna examining what TBML is, why it has become such a ubiquitous method of laundering, and the interplay of illicit commerce, global corruption, and TBML

*Location: Rm 2360, Rayburn House Office Building, Washington, DC; 9:30 AM*

- Congress breaks for Memorial Day recess – Congress breaks for Memorial Day District Work Period (aka State Work Period). No votes in the House of Representatives today.

**Cabinet Officers:**

- No public schedules released.

**Visitors:**

- No visitors scheduled.

**This Town:**

- North Carolina sergeant laid to rest in Arlington National Cemetery – Arlington National Cemetery hosts Military Funeral Honors with Funeral Escort for North Carolina National Guard's Sgt. James Slape, who was killed in action in Afghanistan on 4 Oct 2018

*Location: Arlington National Cemetery, Arlington, VA; 11:00 AM*

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FHFA Briefing

**DATE: MONDAY, APRIL 8, 2019 7:15 AM EDT**

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## FHFA NEWS

### Lockhart: GSEs Need New Credit Scoring Models. (CQRC)

In a [CQ Roll Call](#) (4/8, 179K) opinion piece, Bipartisan Policy Center senior fellow and former FHFA director James B. Lockhart III argues that "Fannie and Freddie need newer credit scoring models." He believes that "revisiting a proposed regulatory rule on credit scoring" would be a logical starting point for GSE reform. Lockhart says the FHFA "has long been exploring the use" of FICO alternatives. But despite Congress having "passed a law last spring that included a provision" for credit score competition, FHFA "ignored Congress' intent in its proposed rulemaking, currently out for comment," proposing restrictions that "would effectively preserve the current outdated models and a government-sanctioned monopoly."

### Continuing Coverage: Calabria Confirmed As FHFA Director. (BLOOMLAW, BLOOMGOV, OANN, MRKTWTCH, INSDMORTG)

Behind a paywall, [Bloomberg Law](#) (4/5, Maranz, Subscription Publication) reported on Friday, "Mark Calabria, the new head of the agency that oversees Fannie Mae and Freddie Mac, will probably need a long time to execute President Donald Trump's recently announced call to reform mortgage-finance giants Fannie Mae and Freddie Mac, analysts say. At mid-day April 5, Fannie shares were falling as much as 3.1 percent, paring some of gains April 4. Freddie was also lower, falling as much as 2.6 percent." [Bloomberg Government](#) (4/5) also gave a brief recap of Calabria's confirmation, as did a televised segment on [One America News Network](#) (4/5, 6:09 a.m. EDT, 24K).

[MarketWatch](#) (4/5, Riquier, 2.19M) reported MBA CEO Robert Broeksmit commented, "With his deep policy background and relationships in both the legislative and executive branches, we believe that Dr. Calabria is well positioned to provide strong leadership at FHFA," adding that his organization will work with the FHFA to "establish a housing finance system that protects taxpayers, allows equal access to lenders of all sizes and business models, and ensures a liquid and stable mortgage market for single-family and multifamily loans."

**Calabria Expected To Finalize GSE Capital Rules This Summer.** Behind a paywall in its What We're Hearing section, [Inside Mortgage Finance](#) (4/5, Muolo, Subscription Publication) said, "one thing seems certain: Calabria is not going to do anything right away. Fannie and Freddie are making money hand-over-fist while supplying liquidity to the U.S. mortgage market. Why would he want to screw that up?... But you can expect Calabria to finalize new capital rules this summer, something promised by his predecessor, interim Director Joseph Otting. ... And then there's the question of the GSEs building more capital..."

## SOCIAL MEDIA RECAP

### Key Social Conversations.

Over the weekend, social media conversations were dominated by reactions to the confirmation of Mark Calabria as FHFA Director. One congratulatory tweet from Vice President Pence generated millions of impressions. With the exception of a tweet from Sen. Chuck Schumer (D-NY), Calabria's confirmation was widely celebrated. A string of tweets from independent journalist Wendy Siegelman regarding real estate deals tied to Jared Kushner (and, tangentially, the GSEs) also drew significant attention.

- Vice President Mike Pence [tweeted](#), "Congrats to Dr. Mark Calabria for being confirmed as Director of the [@FHFA](#)! Mark served as my Chief Economist for 2 yrs, and [@POTUS](#) & I know he'll lead [@FHFA](#) w/ distinction to reform our housing finance system so home ownership is affordable & sustainable for American families!" The tweet received 762 retweets, 4.7K likes, and 171 comments, with 7M impressions.
- Senate Minority Leader Chuck Schumer [tweeted](#), "Our housing market needs to work for the middle class & those striving to get there...But [@realDonaldTrump](#)'s pick to oversee the mortgage finance system wants affordable housing goals 'permanently suspended'...Mark Calabria isn't fit to lead the Federal Housing Finance Agency, FHFA." The tweet received 630 retweets, 1650 likes, and 478 comments, with 2M impressions.

- The Treasury Department [tweeted](#) on Friday, "Congratulations to Mark Calabria on his confirmation to serve and lead [@FHFA](#). Mark will be a valuable partner in carrying out the Administration's housing finance reform agenda." This tweet received 41 retweets, 98 likes, and 14 comments, with 809K impressions.
- The MBA [tweeted](#), "MBA CEO Bob Broeksmit – Dr. Calabria is well positioned to provide strong leadership at FHFA," linking to [MarketWatch](#)'s coverage of Calabria's confirmation. The tweet received four retweets and 16 likes, with 37K impressions. NAR's "Realtors" account [tweeted](#), "Realtors® Applaud Senate Confirmation of Mark Calabria to Lead FHFA," linking to its [press release](#) regarding his confirmation. The tweet received seven retweets and nine likes, with 301K impressions.
- Independent journalist Wendy Siegelman [tweeted](#), "While Kushner uses exchanges to avoid federal taxes – a Feb 2019 story reported Kushner Cos has been in talks w/Fannie Mae & Freddie Mac about securing \$1.15 billion federal loan to buy MD & VA apartment properties (doubling \$500 mil loan they had before)," linking to a February NREI article. The tweet received 73 retweets and 107 likes, with 40K impressions.

## FANNIE MAE AND FREDDIE MAC

### AEI's Wallison: Administration's GSE Reform Proposal Is "Discouraging," GSEs Not Needed For 30-Year FRM. (CNBC EXCH)

AEI fellow Peter Wallison appeared on [CNBC The Exchange](#) (4/5, 1:46 p.m. EDT, 179K), arguing that the Administration's GSE reform proposal is "discouraging" because it does not go nearly far enough to remove the government from the housing finance system. In the five-minute segment, Wallison contends that the proposal would have the government "burrowing back in to where we were" before 2008. He said, "The idea that we need Fannie and Freddie for a 30-year fixed-rate mortgage is wrong. The private sector has always been offering mortgages, and they're competitive right now with Fannie and Freddie."

### Duncan: Labor Market "Remains Solid Overall." (SCOTGUI)

[Scotsman Guide](#) (4/5, Aurellano) reported Fannie Mae Chief Economist Doug Duncan said the rebound in job creation reported by the BLS on Friday "suggests that the labor market remains solid overall and February's discouraging increase was 'an aberration.'" He added that the report "suggests that the labor market remains healthy, which should ease recession concerns and curb expectations of a Fed rate cut for the moment. We expect the Fed to remain patient given a solid labor market and little evidence of upside inflation risks."

### Incenter Bringing \$490M GSE/Ginnie MSR Portfolio To Market. (INSDMORTG)

Behind a paywall in its What We're Hearing section, [Inside Mortgage Finance](#) (4/5, Muolo, Subscription Publication) says Incenter Mortgage Advisors, Denver "is offering a \$489.9 million portfolio of Fannie/Freddie and Ginnie Mae mortgage servicing rights. The stated delinquency ratio is 13.84%, a large chunk of it in the 30-day-late category. The bid deadline is April 11."

### Appeals Court Overturns Civil Penalty Imposed On Foreclosure Law Firm For Failing To Disclose Competing Interest To GSEs. (ABAJ)

The [ABA Journal](#) (4/5, Weiss, 1.01M) reports, "The Colorado Court of Appeals has overturned a \$119,500 civil penalty" imposed against the Castle Law Group "for failing to tell Fannie Mae and Freddie Mac about its interest in a company that posted notices on properties targeted for foreclosure." The court of appeals "ruled Thursday that the judge erred because the alleged deceptive practice did not have a significant impact on consumers, the Denver Post reports."

### Continuing Coverage: Freddie Mac Reported 30-Year FRM Averaged 4.08 Percent Last Week. (REALTMAG, WORLDPROP)

Providing continuing coverage of the average mortgage rates reported last week by Freddie Mac and quoting Chief Economist Sam Khater were [Realtor Magazine](#) (4/5) and [World Property Journal](#) (4/5), behind a paywall. According to Freddie, the 30-year FRM averaged 4.08 percent last week, holding steady after a large drop the week before. Khater said, "While the housing market has faced many headwinds the last few months, it sailed through the turbulence to calmer seas with demand buttressed by a strong labor market and low mortgage rates. The benefits of the decline in mortgage rates that we've seen this year will continue to unfold over the next few months due to the lag from changes in mortgage rates to market sentiment and ultimately home sales."

### Continuing Coverage: Freddie Mac Report Reveals Most "Rent-Burdened" US Cities. (ORLWK, REALDEAL)

The [Orlando \(FL\) Weekly](#) (4/5, Cordeiro, 177K) reports Orlando is the "fifth most 'rent-burdened city in the U.S.," according to a "new report released by government-sponsored mortgage lender Freddie Mac." Freddie Mac Multifamily VP Steve Guggenmos said, "Our research shows that supply just hasn't kept pace with demand in many metros, and that's pushing affordable rents out of reach for millions of American families. Firefighters, police officers, teachers and other members of a city's vital workforce earn only modestly more than their suburban or rural counterparts. As a result, they often struggle to afford housing in the communities in which they serve."

The [Real Deal \(NY\)](#) (4/5, 121K) also offered a brief recap of Freddie's findings. FHFA-19-0753-A-000112



## HOUSING FINANCE AND INDUSTRY

### **Moody's, Goldman Analysts: Credit Score "Grade Inflation" Masks Serious Risks. (BNNBLM)**

[Bloomberg](#) (4/7, Tempkin) reports "analysts and economists at both Goldman Sachs...and Moody's Analytics...say the steady rise of credit scores as the economy expanded over the past decade has led to 'grade inflation.'" Their findings, "supported by Federal Reserve research," suggest that consumer credit scores "have been artificially inflated over the past decade" and mask "the real danger the riskiest borrowers pose to hundreds of billions of dollars in debt."

### **Nonbank Mortgage Employment Hit A Three-Year Low In February. (NATMORNW)**

[National Mortgage News](#) (4/5, Sinnock) reported, "Nondepositories in the mortgage business cut 2,900 more jobs in February, bringing industry employment to its lowest point in nearly three years. Nonbank mortgage bankers and brokers employed 320,200 workers during the month, according to the Bureau of Labor Statistics. That marks a decline of less than 1% from a downwardly revised 323,100 in January, and is down almost 4% from 332,200 a year ago. Many nonbanks in the mortgage business may be still struggling to generate a profit. The business generated an average \$200 net loss per loan in the fourth quarter of last year, according to the latest available report from the Mortgage Bankers Association. But nonbank mortgage bankers and brokers expect to get a lift from spring home buying, gains in the larger economy and a recent dip in rates."

### **New Fannie Mae Rules Can Help Prospective Borrowers Struggling With Student Loan Debt. (FDAILREP)**

The [Fairfield \(CA\) Daily Republic](#) (4/6, Lintao, 52K) reported Fannie Mae "has announced two changes that affect homebuyers: In Announcement SEL-2017-04, the organization simplified its policy and changed how to handle student loan payments on the credit report with a missing or \$0 payment amount. That policy stated the lender could use either 1 percent of the outstanding balance, or a calculated payment that would fully amortize the loan based on the documented loan repayment terms." Additionally, "In the April Selling Guide Announcement SEL-2017-04, the organization simplified its requirements for excluding non-mortgage debts from the DTI ratio when the monthly payment is paid by another party."

### **NMN's 2019 Top Producers List Released. (NATMORNW)**

[National Mortgage News](#) (4/5, Finkelstein) released its full list of 2019's "Top Producers," saying, "Even with a drop in overall annual volume in 2018, the originators in our Top Producers rankings found ways to keep their personal activity robust. They did so as interest rates rose, reducing refinance activity. Purchase volume was affected by the inventory shortage, as well as higher home prices keeping buyers out of the market."

### **HomeStreet Selling Most Of Its Mortgage Business To Homebridge, New Residential, PennyMac. (HOUSEWR, MPA, NATMOPRO, INSDMORTG)**

[HousingWire](#) (4/5, Lane, 11K) reported HomeStreet "has found buyers for its mortgage business: Homebridge Financial Services, New Residential Mortgage, and PennyMac. According to HomeStreet, it is selling off a sizable piece of its mortgage origination business to Homebridge, while New Residential and PennyMac are buying up more than 70% of its MSR portfolio. ""

[Mortgage Professional America](#) (4/7, Smith) reports HomeStreet "said that it has sold 'a significant portion' of its mortgage servicing rights – representing unpaid principal balances of about \$9.9 billion – to New Residential Mortgage. It has also sold servicing rights related to mortgages pooled in Ginnie Mae securities to PennyMac Loan Services. Together, the sales represent about 71% of HomeStreet's total servicing portfolio. The transfer of servicing rights is expected to be completed by August."

[National Mortgage Professional](#) (4/5, Hall) provided similar coverage. Behind a paywall, [Inside Mortgage Finance](#) (4/5, Muolo, Subscription Publication) also reported.

### **Class Valuation Acquires Janus Valuation & Compliance. (HOUSEWR)**

[HousingWire](#) (4/5, Guerin, 11K) reported Class Valuation has acquired Janus Valuation & Compliance, marking the "second AMC acquisition" that Class Valuation "has made in the last six months and one of several big steps the company has taken since it was acquired by Narrow Gauge Capital in March 2018."

### **Panel Of Experts To Discuss Technology's Role In Property Protection In Webinar On Thursday. (DSN)**

[DS News](#) (4/5, Welborn) reported, "On Thursday, April 11, from 1–2 p.m. EDT, DS News will host a webinar to explore the increased risks facing servicers and mortgage professionals. The webinar, titled 'Risky Business: Using Data and Analytics to Protect Properties,' is presented by Safeguard Properties and will include insights from Tim Rath, AVP, Business Development, Safeguard Properties; Jason Heckman, AVP, Mobile and Analytics, Safeguard Properties; and John Thibaudeau, Director, Single-Family Real Estate, Fannie Mae. ... Our panel of experts will discuss the latest property management innovations and how they can protect your investment."

### **Continuing Coverage: Ellie Mae Data Shows Millennials Continue Swing Toward Purchase Loans. (MREP)**

[M Report](#) (4/5, Wharton) said home purchase loans "are making up an increasing share of loans made to millennials, according to Ellie Mae's Millennial Tracker. Purchase loans accounted for 87 percent of loans made to millennials in February, up from 85 percent in January. Refinance loans accounted for 11 percent of millennial loans in February, down from 13 percent in January. The average loan amount was \$194,189." Ellie Mae EVP Joe Tyrrell said, "The percentage of purchase loans is on the rise with millennials continuing to enter the homebuying market for their first or maybe even second purchase."

### **24/7 Wall Street Lists Counties With Priciest Housing Markets. (USAT)**

[USA Today](#) (4/5, Stebbins, 15.2M) carried 24/7 Wall Street's list of the US counties with the most expensive housing markets, according to NAR data. The list includes each county's median home value, median monthly housing costs with a mortgage, the percentage of homes valued at over \$1 million, the percentage of housing units built since 2000, and median household income.

### **NM Oil Country Has More Realtors Than Housing. (AP)**

The [AP](#) (4/6) reported that Lea County, New Mexico --one of the key oil counties in the state --- currently has more realtors than houses to sell. Hobbs Realtors Association Kali Taylor President "estimated this week there are around 100 realtors in the Lea County and only around 84 residential homes available." These numbers come as county officials are concerned about a potential housing shortage.

### **Cook County Nonprofits Becoming Developers To Address Shortage Of Affordable Housing, Homeless Facilities. (CRCHIBIZ)**

[Crain's Chicago Business \(IL\)](#) (4/5, 142K) reported a growing number of affordable housing and homeless assistance nonprofits have grown "frustrated with the lack of affordable housing in Cook County." As a result, "At least five organizations have opened or are about to open new shelters" by "rustling up donations, grants, and zero-interest loans and getting into the housing development business."

## **REGULATORY NEWS**

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### **Dimon: Chase Analysis Found \$1T In Mortgage Volume Lost Due To Regulation. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (4/5, Ivey, Subscription Publication) reported Jamie Dimon "said an analysis by Chase found that more than \$1.0 trillion in additional mortgages might have been made in a five-year span if the mortgage system was reformed. Dimon didn't cite many specific regulations that should be changed, though he raised concerns about capital requirements for banks and noted that nonbanks in the mortgage market need to be "assiduously monitored" because nonbanks face fewer regulations than banks."

### **HUD Expediting Disaster Relief Assistance For IA, NE Floods. (DSN)**

[DS News](#) (4/5, Wharton) reported HUD "announced Friday that it will speed up federal disaster assistance to the states of Iowa and Nebraska in order to provide support to homeowners and low-income renters impacted by the severe storms and flooding that have impacted those regions. This follows on President Trump's issuance of major disaster declarations in March for the counties of Fremont, Harrison, Mills, Monona, and Woodbury in Iowa and Boone, Buffalo, Butler, Cass, Colfax, Custer, Dodge, Douglas, Knox, Nemaha, Richardson, Santee Indian Reservation, Sarpy, Saunders, Thurston, and Washington in Nebraska. The Midwestern U.S. states experienced major flooding in March 2019 along the Missouri River, with the floods having caused an estimated \$2.9 billion in damages in Iowa and \$1.3 billion in Nebraska."

### **Texas Politicians Upset Over Delay In Release Of Federal Hurricane Protection Funding Over Puerto Rico Issues. (WSJ)**

The [Wall Street Journal](#) (4/6, Frosch, Elliott, Subscription Publication, 7.06M) reports that over \$4 billion in federal funding for hurricane protection in Texas is being held up as the Administration works out rules for how billions of other dollars in disaster aid can be spent in Puerto Rico. Texas politicians say the hold on releasing the funding could mean slower work on the storm-protection efforts like bayou widening. HUD said last month that previous financial irregularities prompted the department to add new controls on Puerto Rican relief funding.

### **Contractor Sued By Los Angeles For Allegedly Scamming Homeowners With PACE Loans. (REALDEAL)**

The [Real Deal \(CA\)](#) (4/5, 121K) reported, "Los Angeles is suing a local contractor, alleging the company defrauded homeowners of more than \$1 million in a scam involving the construction of so-called 'granny flats.' The L.A. city attorney filed the suit against Eco Solar Home Improvement of Montebello and affiliated companies. ...The city charges that Eco Solar pushed homeowners into taking out government-backed" PACE loans they "could not repay in order to fund the conversion of garages into accessory dwelling units, or granny flats. Once they received their money, the companies abandoned those projects, according to the city."

## BANK INDUSTRY NEWS

### **Buffett Urges Wells Fargo To Find Next CEO Outside Wall Street. (FT, BLOOM, REU, AMBNKR, THEWEEK)**

Noting the OCC's statement after Tim Sloan's congressional hearing last month, the [Financial Times](#) (4/7, Armstrong, Platt, Ralph, Subscription Publication, 1.34M) reports Warren Buffett said Wells Fargo should look outside Wall Street for its next CEO.

[Bloomberg](#) (4/7, 4.05M) reports Buffett said in an interview with the Financial Times, "They just have to come from some place [outside Wells] and they shouldn't come from Wall Street. They probably shouldn't come from JPMorgan or Goldman Sachs." He added that hiring the bank's next CEO from Wall Street is "just not smart," because that's "automatically going to draw the ire of a significant percentage of the Senate and the US House of Representatives." Buffett, the bank's largest shareholder, "said Wells Fargo's competitive position remains strong, despite damage done by the scandal."

Also reporting is [Reuters](#) (4/7).

**Wells Fargo Appears To Be In Denial.** [American Banker](#) (4/7, Berry, Subscription Publication, 22K) reports that based on Wells Fargo's public and private reactions to the fake-accounts scandal, the bank "has appeared to be in denial that it has a problem at all, some argue." Behind the scenes, former CEO Tim Sloan took "several digs at the media, commenting on the many negative headlines." The bank "has also sought to put some of the blame on lawmakers executives believe are hostile to them," particularly Sen. Elizabeth Warren (D-MA), but the bank's "perceived enemies included more than Democratic presidential candidates." The OCC "issued a rare public rebuke of Sloan just an hour after he finished testifying, which may have sealed his fate." Some bank insiders "see the Federal Reserve and OCC as having essentially taken control," and "viewed together, some say Wells appears to be trapped in a siege mentality."

[The Week](#) (4/5, 1.95M) reported that after the OCC issued a statement criticizing Sloan's "inability to execute effective corporate governance," the former CEO had "little choice but to resign," according to Jim Cramer at The Street. The fact that he served under John Stumpf meant Sloan was "guilty until proven guilty" in the eyes of lawmakers, said Cramer. Although Wells Fargo's board "was happy with Sloan's performance," giving him a raise in addition to a performance bonus after the bank beat expectations, "Sloan could see what was coming." The CEOs of the big banks will testify before Congress on April 10, and "it was clear Sloan 'would be the focal point' for Congress' ire yet again. It's not fair, but he had to quit."

### **Analysts Lower Expectations Ahead Of Big Banks' Q1 Results. (REU)**

[Reuters](#) (4/5, Culp) reported investors "will focus on falling profits, a more dovish Federal Reserve and lower interest rates" as the big banks "kick off what analysts expect to be the first quarter of contracting corporate earnings since 2016." JPMorgan Chase and Wells Fargo will post results on April 12. Citigroup and Goldman Sachs will post the following Monday, followed by Bank of America and Morgan Stanley on Tuesday. After the Fed's "cautious shift" due to signs of weakness in the US economy and the subsequent drop in 10-year Treasury yields, "S&P 500 banks are seen posting year-on-year first-quarter earnings growth of 2.3%, down from 8.2% forecast six months ago, according to Refinitiv data." Horizon Investment Services CEO Chuck Carlson said, "Flat to falling interest rates are not good news for bank interest margins. It's not surprising that analysts are taking down earnings estimates."

### **BofA To Redesign Branches, Upgrade ATM Network, Expand Into New Markets. (REU)**

[Reuters](#) (4/5, Moise) reported Bank of America "said on Friday that more than half of its branch network will be modernized over the next three years to respond to changing consumer behavior." The bank will redesign 1,500 financial services centers as well as "upgrade its network to 16,000 ATMs to allow customers to pay credit card bills and withdraw cash with their phones, and install an additional 2,700 machines." Bank of America also "said on Friday that it will expand its retail banking presence in two new markets, Cleveland and Lexington, Kentucky, next year as part of a previously announced pledge to add 500 branches." The expansion "is expected to add up to 5,500 jobs in local markets, the bank said Friday."

### **Additional Reading. (AMBNKR)**

- **BB&T, SunTrust pledge \$30M for affordable housing in Charlotte.** [American Banker](#) (4/5, Subscription Publication, 22K)
- **Fifth Third ramps up small-business lending in Chicago.** [American Banker](#) (4/5, Alix, Subscription Publication, 22K)
- **Crypto players 'need to get their acts together': Q&A with Andrew Hinkes.** [American Banker](#) (4/7, Subscription Publication, 22K)
- **Small banks try new approach to stanch deposit bleeding.** [American Banker](#) (4/5, Subscription Publication, 22K)
- **BankThink: Real-time-payments monopoly puts financial system at risk.** [American Banker](#) (4/5, Subscription Publication, 22K)

## TOP TREASURY NEWS

### **Kudlow Optimistic About Trade Deal With China. (CBS, BLOOM, FOX, REU)**

On [CBS' Face the Nation](#) (4/7, 3.12M), NEC Director Kudlow said of trade negotiations with China, "All these negotiations we just get closer and closer. It's really interesting. We made good headway last week when the vice premier was here. This coming week, there will be a lot of teleconferencing among the top-tier people to continue the discussions. We're closer than we ever have been before. A lot of very difficult topics, for the first time on the table and being resolved, I think that's terribly important. The talks have been productive. I think the President here too expressed that – I was in the room – guarded optimism. Maybe more than guarded optimism. So we're gaining on that." [Bloomberg](#) (4/6, 4.05M) also reports.

**Pompeo: Huawei Poses National Security Risk.** In an interview on [Fox News Sunday Morning Futures](#) (4/7, 1.34M), Secretary of State Pompeo said of trade talks with China, "The trade deal...is taking place against the background of all these other broader issues, issues with China's use of technology and ways that will fundamentally put Americans at risk, the technology from Huawei that is now being put in place all across the world. It's a company that's very close to the Chinese government and will do what the Chinese government asks it to do, and so we have sounded the alarm urging nations' security apparatus from around the world not to put this technology" into use.

**Li: China Wants Closer Ties With EU.** [Reuters](#) (4/7, Chambers) reports China "wants to work with the European Union on issues from climate change to trade, Premier Li Keqiang wrote in a German newspaper before a summit next week aimed at cementing ties." In a column for Monday's edition of Handelsblatt, extracts of which were released on Sunday, the Chinese Premier "denied accusations Beijing was trying to split the bloc by investing in eastern European states." Wrote Li, "We emphatically support the European integration process in the hope of a united and prosperous Europe." Li added that Beijing's close cooperation with eastern European states was "advantageous for a balanced development within the EU."

### **Kudlow Touts Latest Jobs Report. (CNN)**

On [CNN's State of the Union](#) (4/7, 829K), NEC Director Kudlow said of the latest jobs report, "I think lower tax rates, roll back regulation, opening up energy, I think trade reform, particularly the USMCA deal, I think we've done well. The numbers that came out Friday with revisions: 211,000. That's a very strong number. Good wage increases, we're still over 3 percent. Productivity is rising by nearly 2 percent. Again, I come back to the President's basic policies to rebuild the economy, lower tax rates, big rollback in regulation, opening up the energy sector."

### **Kudlow: Southern Border Crisis Will Not Affect USMCA. (CNN, CBS, REU)**

NEC Director Kudlow, on [CNN's State of the Union](#) (4/7, 829K), discussed the implications for the USMCA regarding the situation at the southern border. When asked if President Trump's tariff threat would undermine the deal, Kudlow said, "I don't think so. What he's saying is Mexicans are helping us. They're taking additional steps to guard their southern border. That's terrific. Second of all, the USMCA is a terrific pro-growth deal. I want to get that in there, because we're hoping it will pass Congress very soon. Regarding the threat of tariffs, the President believes that the border issue, the border security, the wall, the breakdown in immigration are very important issues, including the drug trafficking. So he is saying, if need be, he may have to take emergency steps to deal with that. He's not about to do it. He's pulled back a wee bit. He's just issuing a warning."

On [CBS' Face the Nation](#) (4/7, 3.12M), Kudlow said, "I think in the fullness of time, this will all be worked out and it will not interfere with USMCA, that's our hope in any event. But you do have to set priorities. Sometimes you have to make tough short-term trade-offs. I'm not expecting interference. We have been somewhat optimistic about a USMCA vote. It's a very important trade deal, pro-growth in the United States, autos, domestic content, new economy stuff is very important. IP rights and patents and so forth, financial services. Our ambassador has done a fabulous job. It's great for blue-collar workers and farmers. We broke through on dairy. We'd really love to see a vote, because we think we can win that, but I'm just saying USMCA is a very important priority."

**USA Today Analysis: Chance Of USMCA Ratification "Receding."** [Reuters](#) (4/7, Graham, Ljunggren) reports that "more than six months after the United States, Mexico and Canada agreed a new deal to govern more than \$1 trillion in regional trade, the chances of the countries ratifying the pact this year are receding." The three countries struck the United States-Mexico-Canada agreement (USMCA) on Sept. 30, but "the deal has not ended trade tensions in North America. If ratification is delayed much longer, it could become hostage to electoral politics" in the US and Canada.

### **Mulvaney: Democrats Will "Never" See Trump's Tax Returns. (FXNEWSN, USAT, NYPOST, AP, WP, WT, ABC, REU, NBC, HILL, NBCNEWS, CNN, WSJ, HUFFPOST)**

Acting Chief of Staff Mick Mulvaney, asked on [Fox News Sunday](#) (4/7, 1.85M) when Democrats will see the President's tax returns, said, "Never. Nor should they. ... They just want the attention on the issue because they don't want to talk to us about policy." [USA Today](#) (4/7, Cummings, 15.2M) notes Mulvaney also "said the push for Trump's taxes was driven by hatred of the president, which he called 'Trump derangement syndrome.'" The [New York Post](#) (4/7, Schwab, 5.24M) quotes Mulvaney as saying the "Democrat party is infested with Trump derangement syndrome," and that "they still cannot accept the fact that he won the election and they'll do



everything they can to try and either undo that or prevent that from happening again." Mulvaney "added that the Democrats 'knew they were not going to get these taxes.'"

Along those lines, the [AP](#) (4/7, Miller) reports Mulvaney "accused Democrats of engaging in a 'political stunt' and wanting 'attention.'" The [Washington Post](#) (4/7, Itkowitz, 14.87M) quotes Mulvaney as further stating, "That's an issue that was already litigated during the election. ... Voters knew the president could have given his tax returns. They knew that he didn't, and they elected him anyway." [USA Today](#) (4/7, Cummings, 15.2M) notes Mulvaney also said of Democrats, "If they don't get what they want on the Mueller report, they're going to ask for the taxes. If they don't get what they want on the taxes, they'll ask for something else."

The [Washington Times](#) (4/7, Sherfinski, 677K) points out "Trump broke with decades of precedent during the 2016 campaign by not releasing any of his tax returns, citing an audit." Then, "after the election, he said the American people didn't care about the returns and noted that he won." The Times adds, "The IRS should not divulge the information until it gets a formal legal opinion from the Justice Department, said William S. Consovoy, an attorney for the president." On [ABC's This Week](#) (4/7, 2.72M), Trump's lawyer Jay Sekulow asked, "What is the legitimate legislative purpose? Number two is the Supreme Court has said on multiple occasions that congressional oversight cannot become law enforcement. ... The idea that you can use the IRS as a political weapon is incorrect both as a matter of statutory law and constitutionally. We should not be in a situation where individual private tax returns are used for political purposes."

[Reuters](#) (4/7, Chiacu) reports "Democrats countered that [Ways and Means Chairman Richard] Neal's request to the Treasury Department for Trump's returns is grounded in law and a needed inquiry, given Trump's refusal to disclose his tax records and to divest himself of his business interests." [NBC Nightly News](#) (4/7, story 2, 1:05, Snow, 4.23M) said "Democrats setting a deadline for the President to release his tax returns." NBC (O'Donnell) added, "Countdown to tax day. Not the usual April 15th deadline, but this Wednesday, when House Democrats demand the IRS turn over six years of...Trump's tax returns."

[The Hill](#) (4/7, Burke, 3.85M) reports Neal "made the request under a provision of the federal tax code that states the Treasury secretary 'shall furnish' tax returns upon request from the chairmen of Congress's tax committees, provided that the documents associated with a particular taxpayer are viewed in a closed session."

[The Hill](#) (4/5, Jagoda, Lane, 3.85M) reported Treasury Secretary Steven Mnuchin "faces a challenging test" with the request. He has been "one of Trump's most loyal Cabinet members, defending the president's policies and personal conduct when others have shied away. Now as the president's chief line of defense he will have to balance his loyalty to Trump against a request that many experts say leaves him little wiggle room." The piece noted Trump has "often publicly criticized members of his administration, but Mnuchin has avoided his wrath." He has been a "fierce Trump loyalist and advocate for his agenda, supporting the president's positions and controversial comments even when they differ from his own views."

[NBC News](#) (4/7, 6.62M) notes that last month, Mnuchin "said at a Ways and Means hearing that he would protect Trump's privacy if a request like Neal's were made." He said, "I have discussed with the legal department in the Treasury that we will most likely receive this request. As I have said, based upon the request we'll examine it and we will follow the law. And we will protect the president as we would protect any individual taxpayer under their rights."

On [ABC's This Week](#) (4/7, 2.72M), Rep. Dan Kildee (D-MI) said, "This is legitimate authority that the Congress has. This President, by the way, is the least transparent we have had in half a century. He's broken precedent by not releasing his tax returns. We wouldn't need to go through this exercise if he had done what he promised to do. Section 6103 grants to the chairman of the Ways and Means Committee the right to order a tax return of a taxpayer in order to inform him and the committee on a subject that we are deliberating over. We're looking very carefully as to whether or not the IRS is properly auditing and enforcing tax law on the President of the United States. And we're considering legislative changes toward that end. It is not up to...Trump."

On [CNN's State of the Union](#) (4/7, 829K), Rep. Adam Schiff (D-CA) said, "I think it goes to the fact that the President appoints the head of the IRS or the lawyer of the IRS. The IRS is supposed to conduct an examination of the President's returns. This is a President who has resisted any oversight or inquiry into his affairs. I think the chairman of ways and means has every right to determine if the IRS is following policies and protocols. ... The statute says the IRS shall provide these returns to the Congress upon request. When the Republicans asked similarly for returns when they were running that committee including the returns of the Obama for America organization, he gave no explanation for how many years or what organizations. He asked, the IRS says you can have them because we shall provide them. I think that's how it will end up here, too."

Rep. Ben Ray Lujan (D-NM), on [Fox News Sunday](#) (4/7, 1.85M), said, "This is not political as our Republican colleagues are making it out to be including my friend Mr. Mulvaney, who was speaking before me. There are authorities under section 6103 with the ways and means committee to get their requests and request the tax returns in this case. This as an authority that Republicans used as recently as 2014 and an authority that was used during times of President Nixon, President Ford as well. So again, no other President in modern times has had to have their tax returns requested under 6103 because they've all voluntarily shared them. President Trump promised as a candidate that he would share his tax returns after he was elected, he promised he would share his taxes to returns with the American people and he's refused to do so."

Also covering the topic are the [Wall Street Journal](#) (4/7, Michaels, Subscription Publication, 7.06M), [HuffPost](#) (4/7, 3.57M), and [The Hill](#) (4/7, Budryk, 3.85M).



**Romney: Democrats' Legislative Push For Returns "Moronic," Trump Winning "Time After Time."** The [Washington Times](#) (4/7, Sherfinski, 677K) reports "Sen. Mitt Romney on Sunday said...Trump should release his tax returns, but that Democratic efforts to secure them through legislation are 'moronic.'" Romney said on [NBC's Meet the Press](#), "Well, I'd like the President to follow through and show his tax returns. ... I have to also tell you I think the Democrats are playing along his handbook, which is going after his tax returns through a legislative action, is moronic. That's not going to happen. The courts are not going to say you can compel a person running for office to release their tax returns. So he's going to win this victory. He wins time after time. The Green New deal, all these candidates out there talk about getting rid of Obamacare and traditional health care and putting in place medicare, these things are just nonstarters. I think the Democratic Party is finding itself in a real difficult position with those kind of issues." The [New York Post](#) (4/7, Schwab, 5.24M), among other news outlets, also notes Romney's comments.

Along similar lines, a [Wall Street Journal](#) (4/7, Subscription Publication, 7.06M) editorial paints the Democrats' push for Trump's returns as a politically-driven fishing expedition designed to leak embarrassing information ahead of the 2020 election.

#### **US To Designate Iran Revolutionary Guard A Terrorist Group. (AP, REU, WT, WSJ, ABC)**

The [AP](#) (4/7, Lee, George) reports the Administration is "preparing to designate Iran's Revolutionary Guard a 'foreign terrorist organization,' an unprecedented move against a national armed force that could have widespread implications for US personnel and policy in the Middle East and elsewhere." The development comes "after a monthslong escalation in the administration's rhetoric against Iran." According to the AP, the Pentagon and US intelligence agencies "have raised concerns about the impact of the designation if the move does not allow contact with foreign officials who may have met with or communicated with Guard personnel." Their concerns, the AP reports, "have in part dissuaded previous administrations from taking the step, which has been considered for more than a decade." [Reuters](#) (4/7) says the US decision "is expected to be announced by the State Department perhaps as early as Monday."

[Reuters](#) (4/5, Stewart, Wroughton, Holland) reported earlier that the US has "already blacklisted dozens of entities and people for affiliations with the IRGC, but the organization as a whole is not." In 2007, the Treasury Department designated the IRGC's Quds Force, "its unit in charge of operations abroad, 'for its support of terrorism,' and has described it as Iran's 'primary arm for executing its policy of supporting terrorist and insurgent groups.'"

The [Washington Times](#) (4/7, Wolfgang, 677K) reports Iranian lawmakers over the weekend "vowed retaliation if the Trump administration moves ahead" with the plan, which the Times calls "an escalation in US posture toward Iran." Iranian officials "say they'll respond in kind and will treat US military forces 'like the Islamic State all around the world,' suggesting possible violent confrontations between the two sides."

The [Wall Street Journal](#) (4/7, Egbali, Rasmussen, Subscription Publication, 7.06M) also covers the story.

#### **Aid Group Says US Sanctions Preventing Flood-Hit Iran From Foreign Financial Aid.**

[Reuters](#) (4/7) reports that "US sanctions have prevented the Iranian Red Crescent from obtaining any foreign financial aid to assist victims of flooding that has killed at least 70 people and inundated some 1,900 communities, the group said on Sunday." In a statement, the Red Crescent "said the group had received some non-financial help from abroad which had been distributed to flood victims," but with the "inhuman" US sanctions, "there is no way to send" cash assistance. Secretary Pompeo last week said that the US "was ready to help via the Red Cross and Red Crescent, but accused Iran's clerical establishment of 'mismanagement in urban planning and in emergency preparedness.'"

[ABC World News Tonight](#) (4/7, story 11, 0:20, Llamas, 1.96M) broadcast "at least 70 people have been killed so far" in flooding across Iran amid "record downpours." Thousands more have been displaced with whole towns forced to evacuate.

#### **French Finance Minister Says Digital Tax Not A "Crusade" Against US. (REU)**

[Reuters](#) (4/5, Thomas) reported France is "not specifically targeting U.S. internet giants with a planned tax on digital service companies, its finance minister said in an interview, pushing back against pressure from Washington to drop the levy." The State Department said Secretary of State Mike Pompeo "urged France in a meeting with his French counterpart Jean-Yves Le Drian on Thursday not to approve the digital services tax, saying it would hurt U.S. technology firms." Finance Minister Bruno Le Maire said, "France is not leading a crusade against the United States. The United States are an ally and a friend of France. France is leading a crusade against tax injustice – it's not the same thing." The piece noted that the Treasury Department's top international tax official, Chip Harter, "said last month in Paris that such taxes were potentially 'discriminatory' and said Washington was looking into whether it could retaliate under WTO rules and trade treaties."

#### **Russia Billionaires Tap Share-Sales Window Ahead Of Potential New Sanctions. (BLOOM, FT)**

[Bloomberg](#) (4/7, Fedorinova, 4.05M) reports, "Russian billionaires and companies are exploiting a lull in international sanctions to cash in on the appeal of the country's equities." The piece explains that the "window of opportunity opened as the U.S. lifted sanctions on United Co. Rusal at the end of January and amid the relative calm that's settled since Washington targeted Oleg Deripaska and

other tycoons 12 months ago." Now Russian firms and their owners "could raise about \$1.4 billion in March and April."

The [Financial Times](#) (4/5, Foy, Subscription Publication, 1.34M) and [Bloomberg](#) (4/8, 4.05M) also cover the topic.

### **Schaeffler Case Illustrates Challenges IRS Faces In Going After The Ultrawealthy. (BIZINDER)**

Writing for [Business Insider](#) (4/5, 4.34M), Jesse Eisinger and Paul Kiel of non-profit newsroom ProPublica examined the IRS' "contentious audit" of Georg Schaeffler, "the billionaire scion of a family-owned German manufacturer" who allegedly engaged in abusive tax maneuvers and was accused of concealing around \$5 billion in income. The IRS sought \$1.2 billion in back taxes and penalties, but "after seven years of grinding bureaucratic combat, the IRS abandoned its campaign," informing Schaeffler's lawyers "it was willing to accept just tens of millions, according to a person familiar with the audit." Eisinger and Kiel reconstructed the key points of the case to illustrate "just how challenging it is to take on the ultrawealthy."

## **TOP ECONOMIC NEWS**

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### **Treasury Yields Drop Slightly. (BLOOM)**

[Bloomberg](#) (4/7, 4.05M) reports the yield on 10-year Treasuries "dipped less than one basis point to 2.49 percent" as of 8:13 a.m. in London.

### **Dollar Falls. (REU)**

[Reuters](#) (4/8, Narayanan) reports the dollar on Monday "was down 0.1 percent against key rivals as US Treasury yields extended their decline after the US jobs report signalled a slowdown in wage growth even as employment accelerated from a 17-month low in March." Separately, [Reuters](#) (4/8, Chatterjee) reports the dollar "was 0.3 percent lower at 111.385 yen after briefly popping up to a three-week high of 111.825 on Friday following the US jobs report." Meanwhile, the euro "sat near a one-month low hit last week."

### **Gold Rises. (REU)**

[Reuters](#) (4/8, Narayanan) reports, "Gold prices rose to a more-than-one-week peak on Monday as the dollar slipped after data showed US wage growth slowed last month, while investors awaited minutes of the US Federal Reserve's March meeting later this week." Spot gold "gained 0.4 percent to \$1,296.87 per ounce by 0746 GMT, after touching its highest since March 29 at \$1,297.86 earlier in the session." US gold futures "were also up 0.4 percent at \$1,301 an ounce."

### **Oil Reaches Five-Month High. (REU)**

[Reuters](#) (4/8, Gloystein) reports, "Oil prices rose to their highest level since November 2018 on Monday, driven upwards by OPEC's ongoing supply cuts, US sanctions against Iran and Venezuela, fighting in Libya as well as strong US jobs data." Brent futures "were at \$70.62 per barrel at 0716 GMT on Monday, up 28 cents, or 0.4 percent from their last close." West Texas Intermediate crude "were up 30 cents, or 0.5 percent, at \$63.39 per barrel." Brent and WTI both "hit their highest since November at \$70.76 and \$63.48 a barrel, respectively, early on Monday."

## **THE BIG PICTURE**

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### **Headlines From Today's Front Pages.**

#### **Wall Street Journal:**

[Homeland Security Secretary Kirstjen Nielsen Resigns](#)  
[Israel's Election Is Seen As A Referendum On Netanyahu In A Country He Helped Transform](#)  
[China's Hard Edge: The Leader Of Beijing's Muslim Crackdown Gains Influence](#)  
[Every Baby Polar Bear Is Adorable. Well, Almost Every One.](#)  
[Expected Earnings Pullback Sets Up Big Test For Bull Market](#)

#### **New York Times:**

[Kirstjen Nielsen Resigns As Trump's Homeland Security Secretary](#)  
[As Netanyahu Seeks Re-Election, The Future Of The West Bank Is Now On The Ballot](#)  
[In A Poor Kenyan Community, Cheap Antibiotics Fuel Deadly Drug-Resistant Infections](#)  
[In China, An App About Xi Is Impossible To Ignore – Even If You Try](#)  
[Hunger And An 'Abandoned' Hospital: Puerto Rico Waits As Washington Bickers](#)  
[Is The US A Democracy? A Social Studies Battle Turns On The Nation's Values](#)

#### **Washington Post:**

[Mulaney Draws Line On Releasing Trump's Taxes](#)  
[Md. House Speaker Helped Shepherd Landmark Laws](#)  
[In Baltimore, Asking, 'Why Do We Stay?'](#)  
[Nielsen Bows Out As DHS Secretary](#)

**Financial Times:**

[Libyan Strongman Claims Tripoli Air Strike](#)  
[Buffett Urges Wells To Look Beyond Wall St For Next CEO](#)  
[Macron Heads Calls For Tough Conditions On Brexit Delay](#)  
[Saudi Aramco Attracts \\$30BN Demand For \\$10BN Bond Issue](#)

**Washington Times:**

[Kirstjen Nielsen Blames Congress For Her Decision To Resign As Homeland Security Secretary](#)  
[Stream Of Anti-Trump Media Reports Clashes With Mueller Findings On Russia Collusion](#)  
[Gantz Has Chance Of Blocking Netanyahu's Historic Streak In Election, Pulling Israel Toward Center](#)  
[Iowa Democrats Voice Doubts About Biden: 'Maybe It Is Not His Time Any Longer'](#)  
[The New Scalia: Neil Gorsuch Befriends Liberal Justices While Exceeding Conservatives' Expectations](#)  
[Italy's Far-Right Leader Hosts Others Across Europe To Plot Breakthrough In Parliamentary Elections](#)

**Story Lineup From Last Night's Network News:**

**ABC:** Kirstjen Nielsen-Resignation; Uganda-Kidnapped American Tourist Freed; Weather Report; Seattle-Couple Survives Power Lines Falling On Car; Chicago-Baby Shower Shooting; Louisiana-Fires At Black Churches; South Carolina-5th Grade Girl Dies After Fight With Another Student; Circus Scare; Texas-Paint Fumes Explosion; New York City-Hit & Run; Iran-Flooding; UK-Prince William Shadows Intelligence Services; Toddler In State's Custody Adopted.

**CBS:** Uganda-Kidnapped American Tourist Freed; Kirstjen Nielsen-Resignation; Weather Report; Israel-Election; American Airlines-Canceled Flights; Michael Avenatti-Nike Allegations; CDC-E.Coli Outbreak; FDA-E-Cigarettes; Billionaire Hedge-Fund Ray Dalio Interview; Brooklyn-WWE Hall Of Fame; Florida-Record Setting Python Captured; NCAA Update; Great Dane Births 19 Puppies.

**NBC:** Kirstjen Nielsen-Resignation; Trump-Tax Returns; Mueller Report; Election 2020-Buttigieg; Uganda-Kidnapped American Tourist Freed; Weather Report; Phoenix-Firetruck Collision; Louisiana-Fires At Black Churches; Texas-Paint Fumes Explosion; Israel-Election; Kidnapped Child Hoax-Interview With Father; Circus Scare; California-Women Firefighters; Quarter Midget Racing.

**Network TV At A Glance:**

Uganda-Kidnapped American Tourist Freed – 6 minutes, 55 seconds  
 Kirstjen Nielsen-Resignation- 4 minutes, 40 seconds

**Story Lineup From This Morning's Radio News Broadcasts:**

**ABC:** Kirstjen Nielsen-Resignation; Uganda-Kidnapped American Tourist Freed; NCAA Women's Basketball Update.

**CBS:** Kirstjen Nielsen-Resignation; Mueller Report; Trump-Tax Returns; Country Music Awards; Rwanda-Genocide Commemoration.

**FOX:** Kirstjen Nielsen-Resignation; Trump-Border Security; Louisiana-Fires At Black Churches.

**NPR:** Kirstjen Nielsen-Resignation; Trump-Tax Returns; Illinois-Bill Raises Tobacco Use Age To 21; Sudan-Anti-Government Protests.

**D.C. SCHEDULE****Today's Events In Washington.****White House:**

- President Trump — participates in a credentialing ceremony for newly appointed ambassadors to Washington, D.C.; has lunch with the Vice President; receives his intelligence briefing; meets with the Secretary of State.
- Vice President Pence — has lunch with THE PRESIDENT; participates in a bilateral meeting with the Vice President of the Federative Republic of Brazil.

**US Senate:**

- Senate convenes and begins a period of morning business  
 Location: U.S. Capitol, Washington, DC; 4:00 PM

**US House:**

- House of Representatives meets for legislative business  
 Location: U.S. Capitol, Washington, DC; 2:00 PM
- House Rules Committee hearing – Hearing on 'H.R. 1644 – Save the Internet Act of 2019' and 'H.R. 2021 – Investing for the People Act of 2019'  
 Location: H-313, U.S. Capitol, Washington, DC; 5:00 PM

**Cabinet Officers:**

- Education Secretary DeVos at Council of Chief State School Officers conference – Council of Chief State School Officers Legislative Conference. Day two includes 'fireside chat' with Secretary of Education Betsy DeVos  
 Location: Washington, DC

**Visitors:**

- Atlantic Council event with European migration commissioner – Atlantic Council hosts ‘Global Challenges of Security and Migration’ event, featuring European Commissioner for Migration, Home Affairs and Citizenship Dimitris Avramopoulos. Commissioner Avramopoulos discusses ‘his personal insights from the management of the parallel crises of migration and terrorism, which Europe experienced from 2014 onwards, explain their political impacts, and outline EU strategies on managing these global challenges, both from a European and international perspective’

*Location: 1030 15th St NW, Washington, DC; 12:00 PM*

#### **This Town:**

- G24 Committee of the Whole meeting

*Location: International Monetary Fund, 1900 Pennsylvania Ave NW, Washington, DC; 8:30*

*AM*

- SEC Chairman Clayton speaks at Practising Law Institute event – Practising Law Institute ‘The SEC Speaks In 2019’ event, with speakers including Securities and Exchange Commission Chairman Jay Clayton

*Location: Ronald Reagan Building and International Trade Center, 1300 Pennsylvania Ave NW, Washington, DC; 8:45 AM*

- CBP release statistics on southwest border apprehensions – Customs and Border Protection Commissioner Kevin McAleenan releases ‘March Year To Date Statistics’ on southwest border apprehensions, via press briefing with U.S. Border Patrol Chief Law Enforcement Operations Director Brian Hastings, and Office of Field Operations Executive Director of Operations Randy Howe \* CBP has stated that it ‘continues to see record number of apprehensions along the southwest border’

*Location: Ronald Reagan Building and International Trade Center, 1300 Pennsylvania Ave NW, Washington, DC; 10:00 AM*

- Federal Reserve Board open meeting – Federal Reserve Board open meeting to discuss proposed rules implementing sections of the Economic Growth, Regulatory Relief, and Consumer Protection Act

*Location: Marriner S. Eccles Federal Reserve Board Building, 2051 Constitution Ave NW, Washington, DC; 10:00 AM*

- U.S. Chamber Transatlantic Business Works Summit – U.S. Chamber of Commerce second annual Transatlantic Business Works Summit, attended by Undersecretary of Commerce for International Trade Gil Kaplan, ambassadors to the U.S. Santiago Cabanas Ansorena (Spain), Emily Haber (Germany), Lone Dencker Wisbord (Denmark); AmCham EU CEO Susan Danger, Google senior counsel Astri Kimball Van Dyke, UPS Public Affairs Vice President Dontai Smalls, and Ford Motor Company Vice President for International Government Relations Michael Sheridan

*Location: U.S. Chamber of Commerce, 1615 H St NW, Washington, DC; 12:30 PM*

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FHFA Briefing

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- House Expected To Vote To Block National Emergency Declaration. (CBS, FOX, MSNBC, CHIT, WP)
- Shanahan Suggests "Wholesale Redesign" Of Border Control. (AP)
- Border Landowners Suing To Keep Property Marked For Wall Construction. (CBS)
- WPost: Administration Has A Duty To Reunite Migrant Families. (WP)
- Marist Poll: Americans As Likely To Identify As "Pro-Life" As They Are "Pro-Choice." (AXIOS)
- NYTimes: Congress Should Compel Pharma Executives To Answer Questions About Costs. (NYT)
- Buffett Ignores Kraft Heinz's Troubled Finances In Annual Letter. (WSJ)
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- Atlanta Entrepreneur Combating Food Waste Through Goodr App. (NBC)
- Trump Jr. Compares Smollett, Blasey Ford On Twitter. (NYPOST, FXNEWSN, WT, ABC)
- NRA Magazine Features Photo Of Pelosi And Giffords Under Headline "Target Practice." (NYT, WP)
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- Drug Maker Says FDA Created Opioid Crisis. (CBS)
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- McCabe Says He Is "Speaking Truth To Power" In Book. (WT, ABC, WSJ)
- Trump Announces "Salute To America" On July 4. (BLOOM, HILL, NYT, USAT, AP, CALLER, NYPOST)
- Officials: White House Panel To Include Scientists Who Dispute Climate Consensus. (WP, AXIOS)
- Republicans Raise Concerns Over Rao Nomination. (AXIOS)
- Ocasio-Cortez Criticizes Feinstein Over Green New Deal. (WASHEX, WP, BREITBART)
- Democrats From "Conservative Districts" Face Questions About Progressive Legislators. (NYT)
- SCOTUS To Consider Fate Of Cross Honoring WWI Soldiers. (NYT)
- Federal Judge Rules Male-Only Military Draft Unconstitutional. (NYT)
- Fairfax Compares Himself To Lynching Victims. (AP)
- Virginia Redistricting Amendment Advances. (WT)
- In Oscar Speech, Spike Lee Calls For Choosing "Love Over Hate" In 2020. (WT, WP)
- Hutchinson Says A GOP Challenge To Trump "Would Be Very Difficult." (NBC)
- Cupp: Trump Has 2020 "In The Bag" If Things Don't Change. (HILL, USAT, PMZ)
- WPost Analysis: Democratic Presidential Contenders Echoing Trump In Offering Bold Proposals. (WP)
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- Harris: Democrats Need "Fighter" Who "Knows How To Prosecute The Case" Against Trump. (WASHEX, MSNBC, CNN)
- Inslee Says Decision On Presidential Bid Coming "Soon." (CBS, WP)
- De Blasio Visits Iowa. (NYT, NYPOST)
- Warren Suggests Reparations For Native Americans. (WT)
- Klobuchar Could Face Early Test In South Carolina. (MINNST)
- NYC Public Advocate Special Election Draws Many Candidates But Little Attention. (WSJ)
- California Republicans Elect Latina To Lead Party. (POLITICO)
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- American Al Qaeda Informant Says US Double-Crossed Him. (CBS)
- WSJJournal: Whitehouse Hypocritical On Amicus Briefs. (WSJ)
- WPost: NC9's Harris Must Still Answer Questions. (WP)
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## FHFA NEWS

### Cowen: Quick Turnaround Suggests Calabria Will Be Confirmed In March/April. (INSDMORTG)

Behind a paywall in its "What We're Hearing" section, IMF [adds](#) (2/22, Muolo, Subscription Publication), "In a new research report, Cowen & Co. views the quick vote...as 'consistent with our view that the full Senate will confirm Calabria by late March or early April. There would be no need to rush the committee vote if floor action was not imminent. It also suggests that GOP leaders believe that Calabria has the 50 votes needed to be confirmed.' After Calabria is blessed by the Senate, the heavy lifting on GSE reform begins."

### On Tuesday: FHFA's December House Price Index; Fed's Powell Testifies; HFSC Holds Hearing Regarding Credit Bureaus. (YAHFIN, MREP)

[Yahoo! Finance](#) (2/24, Chung) reports on Tuesday, the FHFA will release its December House Price Index. MoM house price appreciation of 0.4 percent, the same rate as in November, is expected. Also on Tuesday, Federal Reserve Chairman Jerome Powell "heads to Capitol Hill to testify before the Senate on Tuesday and the House on Wednesday. It is expected that Powell will reiterate his 'patient' monetary policy path this year and outline the Fed's plans for shrinking the central bank's balance sheet."

[M Report](#) (2/22, Ojha) says that the House Financial Services Committee will also hold a hearing on Tuesday. The hearing, "Who's Keeping Score? Holding Credit Bureaus Accountable and Repairing a Broken System," will include two panels. The panelists include: Equifax CEO Mark

Begor; TransUnion CEO James Peck; Experian North America CEO Craig Bundy; National Fair Housing Alliance CEO Lisa Rice; National Consumer Law Center Staff Attorney Chi Chi Wu; UnidosUS Associate Director of Economic Policy Jennifer Brown; and U.S. Public Interest Research Group Consumer Program Director Edmund Mierzewski.

**Analysis: PMI Will Do Just Fine, Even In A "Not-So-Great Purchase Market."  
(NATMORNW)**

[National Mortgage News](#) (2/22) says that the private mortgage insurance industry "has a positive outlook for 2019" for six reasons. First, they will "continue to gain share of the home purchase market," which should rebound from 2018's lull. According to Freddie Mac, 2017 saw 6.12 million home sales. Although 2018 saw just 5.98 million, there should be some 6.12 million home sales in 2019. Second, PMI Arch will "reestablish" itself as "the clear No. 1," overtaking Radian. Third, despite its growth, Arch "lost its biggest differentiator from the competition – all six companies now offer 'black box' pricing." Fifth, PMIERs 2.0 "will be a non-event for the MIs." B. Riley FBR analyst Randy Binner said the "key factors affecting mortgage credit quality are home price appreciation and employment," and these trends should "persist. ... GSE reform will be in the headlines with the new FHFA commissioner, Mark Calabria, confirmed in 2019. While his past rhetoric has been anti-GSE, we expect a status quo approach, given market volatility and the 2020 election cycle. At the same time, the recent FHA audit implies that this market will seed share to private MIs in 2019-2020." Lastly, NMN discusses the possibility of "significant M&A activity."

**Continuing Coverage: Kushner Cos. Purchased \$1.15B Multifamily Portfolio. (WSJ, AP, HUFFPOST, DAYBEST, RAWSTORY, SLATEMAG, NSMAX, BSUN)**

The [Wall Street Journal](#) (2/22, Grant, Subscription Publication, 6.65M) reported Kushner Cos. said it completed its largest transaction in more than ten years, acquiring a multifamily portfolio for over one billion dollars. According to the [AP](#) (2/23), "It marks Kushner Cos.' most expensive purchase since paying \$1.8 billion for a Manhattan skyscraper in 2007."

The [Huffington Post](#) (2/24, Papenfuss, 2.78M) adds, "Kushner Cos. has been in talks with federal lenders Fannie Mae and Freddie Mac about backing for its purchase of more than 6,000 rental apartments in 16 properties in Maryland and Virginia from private equity firm Lone Star Funds, two sources told Bloomberg. ... Fannie Mae and Freddie Mac are regulated by the Federal Housing Finance Agency, which is headed by Trump-appointee Joseph Otting. He used to be chief executive of OneWest Bank, which was founded by now-Treasury Secretary Steven Mnuchin, who is considered a close 'ally of Kushner' in the White House, Bloomberg notes."

Offering similar reporting were the [Daily Beast](#) (2/22, 1.42M), [Raw Story](#) (2/23, 359K), [Slate](#) (2/23, Politi, 1.45M), [Newsmax TV](#) (2/23, 406K), and the [Baltimore \(MD\) Sun](#) (2/24, Reed, Donovan, 908K).

**Continuing Coverage: Schism Emerges Over Who Should Spearhead GSE Reform. (FOX B)**

Following up on [Fox Business](#)' reporting that the Trump Administration is "at war with itself over who should take the lead in the reform of the government-backed mortgage companies Fannie Mae and Freddie Mac," – specifically, whether or not Treasury "should continue to advocate what it views as a plan for the future of the mortgage companies or cede control of those efforts to the incoming chief of the Federal Housing Financial Agency (FHFA), economist Mark Calabria" – one of the article's authors, Charles Gasparino, discussed the alleged schism in a [Fox Business Cavuto: Coast to Coast](#) (2/22, 169K) segment.

**Continuing Coverage: Rep Luetkemeyer Asks Otting How CECL Will Impact GSEs.  
(DODD)**

Behind a paywall, [Dodd Frank Update](#) (2/22) reports Rep. Blaine Luetkemeyer (R-MO) "wrote to the acting director of the Federal Housing Finance Agency, Joseph Otting, asking him how the Financial Accounting Standards Board's current expected credit loss (CECL) standard will affect Fannie Mae and Freddie Mac."

## **FANNIE MAE AND FREDDIE MAC**

**Banks Scooped Up Agency MBS In 4Q18. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (2/22, Bancroft, Subscription Publication) reported, "Commercial banks and thrifts reversed a year-long trend during the fourth quarter of 2018 and increased their holdings of single-family MBS." Banks "held \$1.815 trillion of residential MBS in their long-term portfolios at the end of December, an increase of \$20.6 billion from the previous quarter. Industry investment in the sector peaked at the end of 2017 and had been falling slightly through the first nine months of last year. In addition, banks and thrifts held \$44.94 billion of MBS in trading accounts at the end of 2018. The biggest increase in held-to-maturity and available-for-sale accounts was in agency pass-through securities, which grew by \$21.27 billion in the fourth quarter. Some \$14.04 billion of that was in Fannie Mae and Freddie Mac paper and \$7.23 billion was Ginnie Mae MBS."

**Freddie Priced Two Deals Last Week. (HUNT)**

[Hunt Real Estate Capital](#) (2/22, Casden) said in its blog, "This week, Freddie Mac priced two deals out in the market including its latest 15-year Fixed Rate securitization, FHMS K1510, which priced

FHFA-19-0753-A-000124

in line with expectations, as well as their latest Floating Rate Securitization, FHMS KF58, which also priced in line with market guidance at Libor +50bps.”

### **Analysis: A Decade And A Half After Raines Left Fannie, Much Of The Digital Mortgage Hype Is Overblown. (INSDMORTG)**

Behind a paywall, in its “What We’re Hearing” section, [Inside Mortgage Finance](#) (2/22, Muolo, Subscription Publication) reports that 15 years after Franklin Raines “departed as Fannie Mae chairman and CEO,” mortgage origination and closing costs “are still in nose-bleed territory.” IMF adds, “The key to the digital transformation of the mortgage industry rests in the men and women who write the software programs driving the process.” Although this could save lenders money in the long run, however, hiring software programmers is extremely expensive. Additionally, IMF says that another “farce” is the idea that once “the tech system is build, maintaining it will be cheap.”

### **Continuing Coverage: Freddie Mac Reports Average Rate For 30-Year FRM Fell To 4.35 Percent. (YAHFIN, LNNEWS, REALTMAG)**

Providing additional coverage of Freddie Mac’s latest mortgage rates update from last week were [Yahoo! Finance](#) (2/24) and [Chicago Loop North News](#) (2/24). On February 21, Freddie Mac reported that the average rate for a 30-year FRM fell 2 bps to 4.35 percent, ending up 5 bps lower than it was one year prior.

[Realtor Magazine](#) (2/22) reports, “Mortgage rates inched lower for the third consecutive week. Freddie Mac Chief Economist Sam Khater says the lower rates bode well for the spring home buying season, typically the busiest time of the year for home shopping.” He said, “Mortgage rates ... [are] continuing the general downward trend that began late last year. Wages are growing on par with home prices for the first time in years, and with more inventory available, spring home sales should help the market begin to recover from the malaise of the last few months.”

### **Continuing Coverage: Fannie Mae Predicts “Notable Slowdown” In Economic Growth In 1Q19. (MORTND)**

[Mortgage News Daily](#) (2/22, Swanson) reports, “Fannie Mae is predicting a notable slowdown in the growth of the U.S. economy in the first quarter of 2019. They have downgraded their earlier forecast by 0.1 percent to an annualized rate of 1.7 percent, compared to 2.8 percent in the fourth quarter of 2018. For the full year they are looking for growth of 2.2 percent, down from what is expected to be a final rate of 3.1 percent last year. ... As to the full year outlook, the economists say they expect a shrinking benefit from federal fiscal policies, a widening of the trade deficit, and a deceleration in the pace of business investment. Key downside risks to the forecast include the slowdown in global economic growth and trade uncertainty while they may be underestimating the impact of the dovish shift by the Federal Reserve, easing financial conditions, and an expanding labor pool. With this in mind, they say the balance of risks have shifted from predominantly downside to closer to neutral.”

## **HOUSING FINANCE AND INDUSTRY**

### **Redfin: New Home Sales Fell 8 Percent YoY In January. (HOUSEWR)**

[HousingWire](#) (2/22, Lloyd, 7K) reports, “In January, new home sales fell 8 percent on an annual basis, declining the most in western housing markets, according to the latest data from Redfin.” Nationwide, “sales of new single-family homes retreated 0.2 percent on a month-over-month basis.” Redfin Chief Economist Daryl Fairweather said, “The shrinking size of sales declines, paired with falling interest rates, may be helping to improve builder confidence, which has been on the rise since December. Still, buyers understand that the market is shifting in their favor and have become more sensitive to high home prices. That added sensitivity could continue to put a damper on the sales of new homes, which tend to be more expensive than comparable existing ones.”

### **Black Knight: January Prepayment Rate Falls To 18-Year Low. (HOUSEWR, DSN)**

[HousingWire](#) (2/25, Ramirez, 7K) reports, “While interest rates fell in recent weeks, January’s prepayment rate neared a two-decade low, according to the latest First Look report from Black Knight. The prepayment rate in January fell to its lowest level since November 2000 – an 18-year low, according to the report. This is down more than 10 percent from December 2018 and down more than 25 percent from January 2018. The report showed seasonal reductions in home sales outweighed any interest-rate-driven increase in refinance incentive.”

**Black Knight: Foreclosure Inventory Smallest Since May 2006.** [DS News](#) (2/25, Ojha) adds, “The data...indicated that the national delinquency rate in January fell to 3.75 percent after rising on a seasonal basis in the previous months and was now 13 percent below the level during the same period last year. Even though foreclosure starts indicated a month-over-month increase, they remained down 19.4 percent on a year-over-year basis. The number of loans in active foreclosure also continued to decline, falling to 265,000, down by 72,000 from last year. According to the report, this foreclosure inventory is also ‘the smallest it’s been since May 2006.’”

### **CoreLogic: Recent HPI Forecasts Were Accurate On A National Scale, But Some Major Metros Were Outliers. (MREP)**

[M Report](#) (2/22, Ojha) says that although the “national prediction of a 4.7 percent increase” in

home prices was “within 0.1 percent of the 4.8 percent increase of the HPI” in the period from November 2017 to November 2018, CoreLogic’s HPI Forecast Validation Report “noted that some major metros were experiencing a large absolute price change over the last 12 months.” CoreLogic said, “Many of these major metros have had complex economic, market demand and supply factors over the last year.” San Diego, Philadelphia, Atlanta, and Fort Worth were among the areas “that were at the high end of the forecasting gap.”

#### **SFIG CEO: C-PACE Providers Are Looking At Bigger Projects. (ASSECREP)**

[Asset Securitization Report](#) (2/25, Bisbey) reports SFIG CEO Greg Saunders, speaking at the organization’s annual conference in Las Vegas, “said that the sponsors of larger commercial developments are starting to see all kinds of advantages to PACE, which creates a lien on a property that is senior to a first mortgage and is repaid alongside property taxes. It is generally less expensive than some other means of financing energy and water efficiency improvements, such as mezzanine financing. Local governments are also becoming more supportive, according to Saunders. They realize that they need to offer ‘policy accommodations’ that help offset the added cost of elevated standards for energy efficiency for both new construction and existing buildings.”

#### **Mortgage Sector Receives Boost Due To Low Volatility, Dovish Fed. (BNNBLM)**

[Bloomberg](#) (2/22, Maloney) reported the “mortgage sector has outperformed U.S. Treasuries by 39 basis points year-to-date, helped in part by a confluence of low volatility and a dovish Federal Reserve,” which “is a pleasant turnabout for the sector after a dreadful fourth quarter when the Bloomberg Barclays U.S. MBS index underperformed by 52 basis points, its worst showing for the quarter since it lagged by 187 basis points to close out 2008.” According to Bloomberg, “lower volatility can help mortgage performance as MBS investors are by default short the embedded prepayment options.” A drop in it “can help improve sector carry and can also be a positive for spreads.”

#### **Nonprime MBS Volume Grows, Fueled By Angel Oak And Verus. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (2/22, Ivey, Subscription Publication) reports, “The market for nonprime mortgage-backed securities is starting to boil over with optimism – accompanied by a deal volume to match. In January, Angel Oak Companies issued the largest post-crisis nonprime MBS to date. However, its record at \$609.6 million will only stand for a few more weeks as Verus Mortgage Capital puts the finishing touches on a \$664.1 million deal. Most nonprime MBS deals these days include heavy concentrations of non-qualified mortgages.” In a “recent report,” Morningstar Credit Ratings said, “Non-QM [qualified mortgage] MBS issuance continues to grow at a steady rate with the collateral quality of new issue deals and the structure of the transactions generally in line with those of the previously issued securitizations.”

#### **FCM, PennyMac, Wells Update Their VA Loan Policies. (MORTND)**

[Mortgage News Daily](#) (2/22, Chrisman) reports FCM “is aligning with Ginnie Mae pertaining to loan seasoning requirements on VA Cash Out Loans.” The PennyMac Correspondent “came out with 19-15: Revision to Announcement 19-14: Updates to VA Cash-Out Transactions.” Meanwhile, “Wells Fargo Funding is updating its closed loan package delivery requirements for VA Loans.”

#### **Taiwanese Firm Nan Shan Buys 5.2 Percent Stake In New Rez. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (2/22, Muolo, Subscription Publication) reports, “According to a 13-G filing with the Securities and Exchange Commission, Nan Shan has amassed a 5.2 percent (17.8 million shares) stake” in New Residential. Overseas investors “have been steady buyers of agency MBS in the past decade, but not necessarily large owners of REIT equities. By purchasing equity in MBS-investing REITs, have foreign investors found a new way to play the market? Perhaps. Some REITs, including market leaders Annaly Capital Management and AGNC Investment Corp., pay dividends north of 11.0 percent to their common stockholders.”

#### **Observers Hopeful But Skeptical About Tech Giants’ Efforts To Address Affordable Housing Crises. (USAT)**

In a report about how companies are addressing affordable housing crises, [USA Today](#) (2/24, della Cava, 12.61M) reports, “Seattle, another tech hub, has experienced the same housing deficit phenomenon, all while local tech powerhouses Amazon and Microsoft helped create 33,000 new tech jobs in 2016 and 2017, [a] CBRE report says. And as Amazon moves into Northern Virginia and Apple into Austin, local lawmakers and housing experts there are keeping careful watch on how an explosion of technology jobs will hit their communities.” The article considers Amazon’s efforts to combat the issue in Seattle, including donations to Mary’s Place and its temporary on-campus homeless shelters, but says the company “has come under heavy fire for contributing to rising inequality in Seattle, as well as for successfully killing a head-count tax on employees – \$275 per worker on companies making more than \$20 million a year – that would have raised money partly for affordable housing.” USA Today says industry observers are pleased with the “newfound corporate focus on the housing crisis” but remain “skeptical about whether the gestures are too little, too late.”

#### **STRATMOR Survey: Lenders Give MCT Platform Top Spot For Satisfaction, Loyalty, Functionality. (MREP)**



[M Report](#) (2/22, Ojha) says, "Mortgage Capital Trading (MCT), a California-based hedge advisory and secondary marketing software firm has announced that the 2018 STRATMOR Technology Insight Study rated it as the leader in overall satisfaction, lender loyalty, and functionality effectiveness in the production pipeline hedging industry, according to survey respondents. According to STRATMOR Group, '72 percent of respondents use third-party tools for Production Pipeline Hedging and 29.9 percent chose MCT to conduct these analyses. Further, MCT's Lender Loyalty Score™ value is an impressive 81; 20 points higher than the overall average score.'"

**NAFCU Economist: Lower Mortgage Rates Will Be Reflected In NAR's February Existing-Home Sales Figures. (CUINSIGHT)**

[Credit Union Insight](#) (2/25) reports that although existing-home sales "decreased 1.2 percent in January," NAFCU Chief Economist Curt Long "said he expects the market to rebound in the coming months." He said, "The data from the NAR measure completed sales, so the drop in mortgage rates in December and January will likely begin to show up in February sales figures."

**Opinion: Wall Street Is Exacerbating Homelessness. (CBSNEWS)**

In a [CBS News](#) (2/25, Ivanova, 2.83M) opinion piece, Irina Ivanova claims that Wall Street is "driving up homelessness," having "swooped in to buy properties in bulk" in the wake of the housing market collapse to "rent them out at a profit." Housing community groups in California "[wrote](#)" to the federal government as far back as 2014, saying that the mass sales of properties were creating a new class of abusive landlords." However, "it wasn't until last year, the Atlantic reports, that the Federal Housing Finance Agency withdrew support from the single-family rental market, figuring the companies could stand on their own."

**Analysis: Subprime Mortgages "Are A Disaster Waiting To Happen." (MRKWTWCH)**

in a [MarketWatch](#) (2/25, 1.81M) analysis piece, Keith Jurow argues that sub-prime mortgages are "still dangerous and could soon undermine the housing recovery." Pointing to a spike in non-agency loan modifications in California, Jurow concludes, "The non-agency mortgage delinquency fiasco will not go away just because Wall Street and the pundits act as if it has. I am confident that this entire charade will start to unravel within six- to 12 months. It is wise to prepare now."

**Continuing Coverage: FHA Expands Its Multifamily LIHTC Financing Program. (HOUSEWR, AFFHF)**

[HousingWire](#) (2/22, Lane, 7K) reported, "The Department of Housing and Urban Development announced this week that the Federal Housing Administration is expanding its low-income housing tax credit financing program for multifamily properties. According to HUD, the move is a 'significant expansion' of an FHA pilot program that streamlines mortgage insurance applications for affordable housing developments that have equity through the LIHTC program."

[Affordable Housing Finance](#) (2/22, 32K) provides similar coverage.

## TOP NATIONAL NEWS

**Democratic Governors Look To Counter Trump's Economic Argument. (REU)**

[Reuters](#) (2/24, Gibson) reports Democratic governors say their party needs to challenge President Trump's economic record "as he seeks re-election next year, by focusing on middle-class Americans who have not seen the benefits of economic growth." Reuters says the President "believes he has a winning hand with the economy and frequently touts a low unemployment rate, strong growth and stock market gains since his 2016 election victory." But Democrats who won gubernatorial elections in 2018 "are looking for ways to convert the messages that worked in those state contests into victory in the presidential election in 2020." Gov. Tony Evers (D-WI) said, "Yes, we have a three percent unemployment rate, but we also have 800,000 families that are struggling just to put food on the table. ... We have a long way to go."

**Trump Expresses Optimism Ahead Of Second North Korea Summit. (NBC, HILL, NYPOST, ABC, REU, AP, WP, CBS, WT, FXNEWSN, AXIOS, USAT, NYT, FOX, POLITICO, WSJ)**

Ahead of this week's summit in Vietnam with North Korean leader Kim Jong-un, President Trump took to [write](#), "So funny to watch people who have failed for years, they got NOTHING, telling me how to negotiate with North Korea. But thanks anyway!" Hours earlier, the President [tweeted](#), "Chairman Kim realizes, perhaps better than anyone else, that without nuclear weapons, his country could fast become one of the great economic powers anywhere in the World. Because of its location and people (and him), it has more potential for rapid growth than any other nation!" Trump also [tweeted](#), "President Xi of China has been very helpful in his support of my meeting with Kim Jong Un. The last thing China wants are large scale nuclear weapons right next door. Sanctions placed on the border by China and Russia have been very helpful. Great relationship with Chairman Kim!"

Media reports point out the President's optimism ahead of this week's meeting. [NBC Nightly News](#) (2/24, story 4, 1:50, Snow, 2.54M), for example, said "Trump is playing up the possibility that the US and North Korea can come to an agreement on denuclearization as he prepares for a second face-to-face meeting" with Kim, and that in a series of tweets, he "says he expects the continuation of the progress he and Kim made after the first meeting in Singapore." To [The Hill](#) (2/24, Samuels, 3.27M), likewise, the President "expressed optimism ahead of his summit, even



as experts have cast uncertainty on how productive the meeting will be." The [New York Post](#) (2/24, Moore, 4.88M) similarly reports "Trump suggested North Korea would be willing to ditch its nuclear weapons because of the economic benefits that would come with the move."

However, some major outlets are casting the Administration as downplaying expectations for the summit. [ABC World News Tonight](#) (2/24, story 7, 1:05, Llamas, 4.91M), for example, said that while "Trump will try to keep the focus on his attempt to do what no US president has done before: denuclearize the Korean Peninsula," only "days ago" he "was already lowering expectations for this event, saying there's no rush to denuclearize." [Reuters](#) (2/24, Kim, Smith) similarly reports that "in recent days Trump has signaled a possible softening," saying he "was in no rush and had no pressing schedule for North Korea's denuclearization, hinting at a more gradual, reciprocal approach, long favored by Pyongyang."

[NBC Nightly News](#) (2/24, story 4, 1:50, Snow, 2.54M) said the President also "seemed to play down any new breakthroughs in this exclusively obtained video message shared last night with his supporters at his private Mar-a-Lago club." Trump: "We have a terrific relationship and we'll see where it goes. Who knows where it goes? But we'll see."

Under the headline "White House Manages Expectations For Second Kim Summit," the [AP](#) (2/24) too says Trump "is trying to manage expectations for his second summit with...Kim...predicting a 'continuation of the progress' made last time." The [Washington Post](#) (2/24, Denyer, 14.71M), meanwhile, reports that when Trump meets Kim in Hanoi this week, the Administration "will point to their host country as a model." Experts, however, say that while "it is enticing to think that North Korea could transform in a similar way...it is hardly realistic."

The [CBS Weekend News](#) (2/24, story 5, 2:10, Begnaud, 54.71M), moreover, said last year's summit "produced a thin and vaguely worded document, promising to work towards the denuclearization," and "despite the President's claims, there has been no actual progress" on that front. The [Washington Times](#) (2/24, Boyer, 544K) reports that "eight months after his breakthrough meeting with...Kim," Trump "heads into the second denuclearization summit under greater scrutiny to bring back more tangible results."

[Reuters](#) (2/25, Smith) reports President Trump says sanctions on North Korea are "on in full" ahead of his summit with leader Kim Jong Un in Hanoi this week, but analysts say time is running out on Washington's 'maximum pressure' campaign." The piece explains that Kim "appears eager to secure at least some relief from sanctions, which have stood in the way of official investment by companies and governments, many of which have signaled they are waiting on sanctions relief to invest in everything from highways and telecommunications to special economic zones." However, "across the region there are signs the political and economic pressure on North Korea has sprung leaks as Pyongyang adapts to restrictions and more countries signal their willingness to reopen trade."

**Pompeo Expects "Substantive Step Forward," But "It May Not Happen."** Meanwhile, in a pair of Sunday morning show interviews, Secretary of State Pompeo expressed doubts that this week's summit would result in a comprehensive denuclearization deal. The [AP](#) (2/24) reports Pompeo said on [Fox News Sunday](#) (2/24, 1.85M) that he was hoping for a "substantive step forward," but cautioned, "it may not happen, but I hope that it will." Said Pompeo, "President Trump has also said this is going to take time. There may have to be another summit. We may not get everything done this week."

An [Axios](#) (2/24, Fernandez, 745K) report highlighted Pompeo's comment that "there may have to be another summit," and the [New York Post](#) (2/24, Moore, 4.88M) likewise says "Pompeo downplayed the summit...warning that full denuclearization of the peninsula may not be decided this week."

[ABC World News Tonight](#) (2/24, story 7, 1:05, Llamas, 4.91M) reported that "after the first summit in June, President Trump declared North Korea was no longer a threat. This morning, Mike Pompeo says they're still a danger because they have not taken significant steps to dismantle their nuclear arsenal." To [USA Today](#) (2/24, Hayes, 12.61M), "Pompeo was confronted" about the President's claim during an interview on [CNN](#), and the [Washington Post](#) (2/24, Olorunnipa, 14.71M) reports "Pompeo said Sunday that North Korea remains a nuclear threat, contradicting a tweet last year by President Trump." The Post notes that after last year's summit in Singapore, Trump tweeted, "There is no longer a Nuclear Threat from North Korea," but Pompeo "disputed that Trump had said as much." Said Pompeo, "What he said was that the efforts that had been made in Singapore – this commitment that Chairman Kim made – have substantially taken down the risks to the American people."

**NYTimes Analysis: Pompeo Faces "Greatest Test" During This Week's Summit.** The [New York Times](#) (2/24, Sanger, Wong, 17.89M) reports that almost a year into his tenure as secretary of state, Pompeo "has managed to pull off what few other Trump-era senior cabinet members have accomplished – staying in the president's good graces and wielding power without countering White House pronouncements or policies." The Times warns that "how he faces his greatest test" during this week's summit as he tries "to keep an effort to rid North Korea of its nuclear weapons from going off the rails." Pompeo, the Times says, "must keep Mr. Trump...from being duped by" Kim, "who is half the president's age. He also needs to prevent the president from undermining the American negotiating position on denuclearization."

**Graham: "Give Trump The Latitude He Needs To Get The Result We All Want."**

Asked on [Fox News' Sunday Morning Futures](#) (2/24, 1.46M) what a positive outcome would look like, Sen. Lindsey Graham (R-SC) said, "A roadmap to get to denuclearization. A roadmap to change the North Korean economy to make it more prosperous and to give the assurances to Chairman Kim he needs to give up his nukes. ... They give up their nukes, we help them develop

their economy, and all ends well. The goal is to get a roadmap to accomplish those tasks. ... Let's give Trump the latitude he needs to get the result we all want."

**Senate Democrats Demand "Serious Diplomatic Plan" Ahead Of Summit.** [Politico](#) (2/24, Forgey, 3.67M) reports "senior Senate Democrats on Sunday demanded" that this week's summit "demonstrate tangible, verifiable progress on denuclearization and reducing tensions" with the rogue state, and urged the President to "execute a serious diplomatic plan" when the two leaders meet. In a letter, eight "high-ranking" Democrats – Senate Minority Leader Schumer, Senate Minority Whip Durbin, and Sens. Sherrod Brown (D-OH), Dianne Feinstein (D-CA), Patrick Leahy (D-VT), Robert Menendez (D-NJ), Jack Reed (D-RI), and Mark Warner (D-VA) – wrote, "We believe your next meeting with Kim thus must demonstrate tangible, verifiable progress on denuclearization and reducing tensions with the North."

Appearing on [CBS' Face The Nation](#) (2/24, 3.76M), Sen. Edward Markey (D-MA) said, "Right now it's pretty clear that Kim wants to have a personal meeting with Trump with hopes that he can, in fact, elicit concessions from President Trump that otherwise might not be possible if it was just our diplomats talking one-on-one. So I think there's apprehension. In fact, among President Trump's own diplomats, heading into this summit. Nothing is clear, and I think as a result we could run the risk that Kim is given concessions, which are not accompanied by real concessions that the United States is receiving in return from Kim and his regime."

**WTimes Analysis: North Korean Negotiator Aims To Outwit US Officials.** The [Washington Times](#) (2/24, Taylor, 544K) reports Kim Yong-chol, Pyongyang's former intelligence chief, has emerged as North Korea's lead nuclear negotiator. The Times describes him as "a sharklike operative Trump administration insiders know they will have to outsmart if they are to persuade the regime to truly and verifiably give up its nuclear bombs and long-range missiles." US and South Korean sources, say it is "Kim Yong-chol who deserves credit – and blame – for the dearth of concrete action since the first summit in Singapore in June."

**NYTimes Analysis: Kim Taking "The Long Route" To Vietnam.** The [New York Times](#) (2/24, Perlez, 17.89M) reports Kim "likes to present himself as a modern man projecting his isolated country onto the world stage." But for this week's summit, Kim "is traveling south through China in an armored train – not even a high-speed one – and then planning to drive the last leg to Hanoi," a journey that "is expected to take as long as two days from the starting point in Pyongyang...instead of a few hours by plane."

**Zoellick Urges Trump To Hold Kim To Specific Promises.** Former Deputy Secretary of State Robert B. Zoellick argues in the [Wall Street Journal](#) (2/24, Subscription Publication, 6.65M) that now is the time to hold Kim to specific promises and warns President Trump against appeasing Kim in order to strike a deal.

#### **House Expected To Vote To Block National Emergency Declaration. (CBS, FOX, MSNBC, CHIT, WP)**

Ed O'Keefe reported on the [CBS Weekend News](#) (2/24, story 2, 0:50, Begnaud, 54.71M), "House Democrats are preparing to vote Tuesday on a resolution to block President Trump's national emergency declaration, setting up yet another showdown over the border. ... The President wants to use billions of dollars in military funding to build a southern border wall, despite campaign promises that Mexico would pay for it. He warns if the Democrats bill makes it to the House and Senate, he will veto it."

Sen. Lindsey Graham (R-SC) said on [Fox News' Sunday Morning Futures](#) (2/24, 1.46M), "We might lose a few Republicans in the Senate. All you need is 51 to get it out of the Senate, so to pass the House with a handful of Republican votes it'll come to the Senate, it might get 51, it'll get vetoed by the President and Republicans will stand with the President to sustain his veto and it will be deadlier than dead."

However, several other senators were skeptical. Sen. Roy Blunt (R-MO), on [CBS' Face The Nation](#) (2/24, 3.76M), said, "I don't like the process. I don't think that the emergency declaration law was written to deal with things that the President asked the Congress to do and then the Congress didn't do. It's never been used that way before. I want to look carefully at the law. I want to hear what the President's lawyers have to say about it."

On [CBS' Face The Nation](#) (2/24, 3.76M), Sen. Edward Markey (D-MA) said, "It's a clear usurpation of congressional authority. There will be a resolution of disapproval, which most likely will pass in the House of Representatives this week. Then it will come over to the United States Senate. ... Even if there are small handful of Republicans who are willing to vote for that resolution of disapproval, the President says he's going to veto it, and then it will come back to the House and Senate, and I believe it's highly unlikely that there will be two-thirds of the House and Senate who will vote that way given the base support of the Republican Party for President Trump and his actions, and then it will go to the courts. And I think in the courts we're going to have a very strong case that this is an unconstitutional action by the President."

Sen. Kamala Harris (D-CA) said on [MSNBC's AM Joy](#) (2/24, 955K), "I think that this is a crisis of the President's own making. It clearly is not an emergency. The President has created this crisis to pursue his vanity project called a wall. It would be an absolute a misuse of taxpayers' money."

**Kinzinger Will Not Vote To Block National Emergency Declaration.** The [Chicago Tribune](#) (2/24, Donovan, 2.12M) reports Rep. Adam Kinzinger (R-IL), "recently back from an Air National Guard deployment to the U.S.-Mexico border, said Sunday he won't vote to block" the President's national emergency declaration. Kinzinger said on [CBS' Face The Nation](#) (2/24, 3.76M), "I went down there kind of undecided. I think if this was just an issue of immigration it

wouldn't constitute a national emergency, but what I saw was really disturbing. What I saw was a lot of people coming over the border, a lot of drugs [on] the border and a lot of human trafficking."

**Ex-National Security Officials From Both Parties Oppose National Emergency Declaration.** The [Washington Post](#) (2/24, Nakashima, 14.71M) reports, "A bipartisan group of 58 former senior national security officials will issue a statement Monday saying that 'there is no factual basis' for President Trump's proclamation of a national emergency to build a wall on the U.S.-Mexico border." The statement, "whose signatories include former secretary of state Madeleine Albright and former defense secretary Chuck Hagel, will come a day before the House is expected to vote on a resolution to block Trump's Feb. 15 declaration."

#### **Shanahan Suggests "Wholesale Redesign" Of Border Control. (AP)**

The [AP](#) (2/24, Burns) reports Acting Defense Secretary Shanahan "said Saturday after visiting the U.S.-Mexico border that the government needs a broader, more effective approach to border control," suggesting a greater role for the Pentagon. While Shanahan "said he was not volunteering the Pentagon to take over any part of border control, which is the responsibility" of DHS, "he said his visit led him to question whether there should be a 'wholesale redesign' of the way border control is done by the federal government."

#### **Border Landowners Suing To Keep Property Marked For Wall Construction. (CBS)**

The [CBS Weekend News](#) (2/24, story 4, 2:00, Begnaud, 54.71M) reported, "Landowners on the southern border have already begun to fight to keep control of their property, even as President Trump pushes hard to fund that border wall." CBS' Mireya Villarreal reported that two landowners "along the banks of the Rio Grande River...are suing the Trump Administration. ... The Administration is not commenting on the lawsuits, but the border is still a top priority."

#### **WPost: Administration Has A Duty To Reunite Migrant Families. (WP)**

The [Washington Post](#) (2/24, 14.71M) says in an editorial, "Lawyers for the Trump administration object to the suggestion that officials have a moral and humanitarian duty to track children and reunify them with their parents after they have been separated by the government," suggesting it "would be a headache to patch up families torn apart by the administration's war on immigrants." The Post says the government "cannot be permitted to leave migrant children indefinitely orphaned on the grounds that reunifying them with parents would be a pain in the neck."

#### **Marist Poll: Americans As Likely To Identify As "Pro-Life" As They Are "Pro-Choice." (AXIOS)**

[Axios](#) (2/24, Treene, 745K) reports that the recent debate over "late-term abortion" has caused "a dramatic shift" in public attitudes towards abortion policy, according to Barbara Carvalho who directed a new Marist poll, commissioned by the Knights of Columbus, a Catholic organization. The poll found "Americans are now as likely to identify as pro-life (47%) as they are pro-choice (47%)." Axios notes that "last month, a similar Marist survey found that Americans were more likely to identify as pro-choice than pro-life 55% to 38%, a 17-point gap." Marist has been polling Americans' attitudes on abortion "for over a decade, and Carvalho told Axios this is the first time since 2009 that as many or more Americans have identified as pro-life as have identified as pro-choice."

#### **NYTimes: Congress Should Compel Pharma Executives To Answer Questions About Costs. (NYT)**

In an editorial, the [New York Times](#) (2/24, 17.89M) writes that "drug prices are soaring in a way that defies reason," and that Congress should follow its own example of a quarter-century ago, when it "hailed before it the top executives of the nation's seven largest tobacco companies and forced them to make a number of long-overdue admissions about cigarettes," and require pharmaceutical industry leaders to similarly answer questions about surging costs.

#### **Buffett Ignores Kraft Heinz's Troubled Finances In Annual Letter. (WSJ)**

The [Wall Street Journal](#) (2/24, Friedman, Subscription Publication, 6.65M) reports that Berkshire Hathaway CEO Warren Buffett did not acknowledge Kraft Heinz Co's recent fiscal losses in his annual shareholder letter on Saturday. Instead, Buffett used the letter to predict that the company would invest a majority of its liquid capital into new businesses this year with the intention of later acquisition.

#### **Caesars Entertainment Negotiating CEO Replacement With Carl Icahn. (REU)**

[Reuters](#) (2/24, Roumeliotis) reports that US casino operator Caesars Entertainment Corp is negotiating with billionaire investor Carl Icahn over Caesar's CEO opening after Icahn "disclosed a 9.8 percent stake in Caesars" last Tuesday. Icahn seeks to replace outgoing Caesars CEO Mark Frissora with Affinity Gaming CEO Anthony Rodio, and he also requested that Caesars explore a sale of the company.

#### **Atlanta Entrepreneur Combating Food Waste Through Goodr App. (NBC)**

[NBC Nightly News](#) (2/24, story 8, 2:00, Snow, 2.54M) reported that Atlanta-based Goodr CEO Jasmine Crow is waging a new campaign against food insecurity by tackling the issue of food

waste throughout Atlanta. Crow's Goodr company partners with local restaurants to donate leftover meals to nonprofit organizations, such as Atlanta's Covenant House, which routinely feeds 80 people every night. NBC's Blane Alexander said, "So far, Goodr has provided more than one million meals, on pace to double that by year's end." Hartsfield-Jackson Atlanta International Airport is one of Goodr's largest partners to date.

#### **Trump Jr. Compares Smollett, Blasey Ford On Twitter. (NYPOST, FXNEWSN, WT, ABC)**

The [New York Post](#) (2/24, Lapin, 4.88M) reports, "Donald Trump Jr. made up his own Oscars category Sunday night: 'Best performance in a politically motivated hate crime hoax.'" In a [tweet](#), Trump Jr. "asked his followers to choose between the so-called nominees, lumping Jussie Smollett, who's accused of staging his own hate crime attack, with Christine Blasey Ford, who testified before the Senate that then-Supreme Court nominee Brett Kavanaugh sexually assaulted her when they were teens," and Nathan Phillips, "the Native American activist involved in a caught-on-camera confrontation with a group of students from Covington Catholic HS Jan. 18."

**DNC's Perez: "Hate Crimes Are On The Rise" Regardless Of Smollett Case.** DNC Chair Tom Perez, appearing on [Fox News Sunday](#) (2/24, 1.85M), discussed race and identity politics in the wake of the allegations against Smollett. Perez said, "I spent the better part of a decade under Republican and Democratic administrations as a career federal hate crimes prosecutor. I saw these cases firsthand. If the allegations that have come out in recent days are true, it's unconscionable, because hate crimes, the fact of the matter, are on the rise. And when you create a false situation, you are doing an injustice to all the people who have been victimized. ... We have the facts, [Democrats] acted on the facts as we knew at the time, and here are the facts that we know today: Hate crimes are on the rise. And in the aftermath of Charlottesville, frankly that was a layup for the President. He should have unequivocally said there is no place for this. And yet he was empowering, he was giving permission. That was wrong. And we have to understand right now the fact of the matter: Hate crimes are on the rise, and that should be a bipartisan issue." The [Washington Times](#) (2/24, Richardson, 544K) covers Perez's comments under the headline "Tom Perez Defends Democrats' Jussie Smollett Response." [ABC World News Tonight](#) (2/24, story 11, 0:15, Llamas, 4.91M) had a brief item on the Smollett story that did not mention Perez.

#### **NRA Magazine Features Photo Of Pelosi And Giffords Under Headline "Target Practice." (NYT, WP)**

The [New York Times](#) (2/24, Rueb, 17.89M) reports under the headline "N.R.A. Magazine Draws Criticism For 'Target Practice' Headline With Photo Of Pelosi And Giffords" that the March issue of the NRA's American Rifleman features a photo of House Speaker Pelosi and ex-Rep. Gabrielle Giffords, "who was shot in the head during a constituent meeting in 2011," under the headline "Target Practice." The article about proposed legislation to expand background checks for firearms purchases was "written by Chris W. Cox, the executive director of the N.R.A.'s lobbying arm."

**Costello, Curbelo: Conservatives Must Urge Fellow Republicans To Support Gun Safety Bill.** In a [Washington Post](#) (2/24, 14.71M) op-ed, Everytown for Gun Safety strategic advisers Ryan Costello and Carlos Curbelo, both former GOP members of Congress, argue that the House's forthcoming HR 8, the Bipartisan Background Checks Act of 2019, is a necessary bill to combat gun violence in the US. They write, "This legislation is firmly in line with Republican principles. It's a way to enforce existing laws and to make good on our talk about increasing public safety." Costello and Curbelo call on Republican lawmakers to vote in the affirmative this week.

#### **UC Berkeley Responds To Assault On Conservative Activist. (BREITBART)**

[Breitbart](#) (2/24, Mastrangelo, 1.25M) reports, "UC Berkeley responded to the violent incident on its campus caught on video on Tuesday, stating that the school [is] affirming its 'commitment to freedom of expression.'" In the incident, "an individual physically assaulted a conservative activist who had been assisting the school's Turning Point USA (TPUSA) chapter with recruitment."

#### **NFL Patriots Owner Kraft Identified In Prostitution Bust. (ABC, CBS)**

[ABC World News Tonight](#) (2/24, story 9, 1:25, Llamas, 4.91M) reported that NFL Patriots football team owner Robert Kraft is expected to be charged for prostitution solicitation after Jupiter, Florida police conducted a sting operation, which led to the identification of over 200 individuals. Jupiter Police Department Detective Andrew Sharp told reporters that the sting footage showed Kraft participating in solicitation. Kraft denied the allegations, but Florida police may "issue an arrest warrant as early as Monday."

The [CBS Weekend News](#) (2/24, story 10, 0:15, Begnaud, 54.71M) reported that Kraft has not indicated "whether he will turn himself in to Florida authorities" if the Jupiter Police Department issues a warrant for his arrest.

#### **FBI Actively Recruiting For Special Agents. (WSJ)**

The [Wall Street Journal](#) (2/24, Viswanatha, Tau, Subscription Publication, 6.65M) reports the FBI, in a rare move, is beginning an aggressive recruitment of usually highly desired special agent positions. In 2009, there were 68,500 applicants for the positions; last year, there were just 11,500. The FBI has also been under pressure after a series of politically sensitive investigations.

#### **South Carolina Man's Death After Officer Refused Him Medical Treatment Faces Scrutiny. (NBC)**



[NBC Nightly News](#) (2/24, story 3, 1:55, Snow, 2.54M) reported on the death of a man following a van crash in South Carolina last summer. NBC's Gabe Gutierrez reported, "According to a police report, the father of three was already on a stretcher, in an ambulance, when an officer decided to conduct field sobriety tests after finding an open bottle of wine in his van. ... Instead of going to the hospital, [he was taken] to the police station, booked for DUI. But a form refusing medical treatment was signed by the officer." He died four days later.

### **NBC Takes "Rare Look Inside Mar-A-Lago." (NBC)**

[NBC Nightly News](#) (2/24, story 9, 1:55, 2.54M) took a look at what anchor Kate Snow called "a rare look inside Mar-a-Lago, the luxurious private club that serves as a retreat for President Trump and his family." NBC's Anna Schecter: "These are Trump's people. Hundreds of them have come to Mar-a-Lago to celebrate him, support him, and have a big party. And they pay big bucks for it – some \$500, some of the choice tables up to \$20,000. The proceeds go not to charity but to cover the cost of the party. ... The grand ballroom outfitted with 16 crystal chandeliers and real gold on the walls. The once-a-year extravaganza orchestrated by a group of women who call themselves the Trumpettes. ... The club is not without controversy. A recent GAO report found out that four of his 20 trips have cost taxpayers \$13.6 million."

### **Drug Maker Says FDA Created Opioid Crisis. (CBS)**

Bill Whitaker reported on [CBS' 60 Minutes](#) (2/24, 98.82M) that Ed Thompson, "a drug manufacturer who spent decades managing and producing opioids for big pharma," is "denounc[ing] his industry and its federal regulator, the Food and Drug Administration, which he says opened the floodgates on the crisis with a few little changes to a label." Whitaker added that according to Thompson, "when the top-selling opioid, Oxycontin, was first approved in 1995, it was based on science that only showed it safe and effective when used 'short term.' but in 2001, pressured by big pharma and pain sufferers, the FDA made a fateful decision and, with no new science to back it up, expanded the use of Oxycontin to just about anyone with chronic ailments, like arthritis and back pain." The rest of the story can be seen [here](#).

### **Trump Lashes Out At Mueller Probe As Democrats Vow To Make Report Public. (AP, ABC, WT, USAT, HILL, CNN, CBS, WP, REU, NYT, WSJ, FOX, NYPOST)**

In a [tweet](#) Sunday morning, President Trump lashed out at special counsel Robert Mueller's investigation, asserting that Hillary Clinton and the DNC engaged in the only collusion with Russia that occurred during the 2016 campaign. Trump wrote, "The only Collusion with the Russians was with Crooked Hillary Clinton and the Democratic National Committee...And, where's the Server that the DNC refused to give to the FBI? Where are the new Texts between Agent Lisa Page and her Agent lover, Peter S? We want them now!"

Trump's tweet came as Democratic lawmakers argued on the Sunday talk shows that Mueller's report should be made public. The [AP](#) (2/24, Jalonick, Yen) reports, House Intelligence Chairman Adam Schiff "threatened" on [ABC's This Week](#) (2/24, 2.72M) "to call special counsel Robert Mueller to Capitol Hill, subpoena documents and sue the Trump administration if the full report on Mueller's Russia investigation is not made public." Schiff "said his committee will keep close watch" Attorney General Barr to see if he will "to try to bury any part of this report." In addition, Schiff said he would "take it to court if necessary." Schiff said if there is not complete disclosure Barr will be left with "a tarnished legacy." The [Washington Times](#) (2/24, Richardson, 544K) says Schiff "made it clear he would do whatever necessary to make the findings public."

[USA Today](#) (2/24, Hayes, 12.61M) says Democrats "have grown increasingly skeptical over whether the results of the investigation will be made public and are ramping up a plan to make sure the public will see the results." Schiff told ABC "that he and other Democrats have a host of plans to fight for a full disclosure of the report." Said Schiff, "In the end, I think the department understands that they're going to have to make this public."

[The Hill](#) (2/24, Samuels, 3.27M) says Democrats on Sunday "framed the conclusion of Mueller's nearly two-year investigation as a crucial moment for transparency." Sen. Kamala Harris (D-CA) told [CNN's Inside Politics](#) (2/24, 653K), "This is an extraordinary moment in terms of the need that the special counsel has to investigate the conduct of the President of the United States' campaign and issues surrounding it. ... I believe that given in particular all the misinformation that we can, I think, rightly believe we've heard, that it is important that the American public receive as much information and that we be as transparent as possible. ... So I am an advocate for transparency. I am an advocate for a public report. And certainly that we in the United States Congress would receive all of the supporting information, be it in a classified hearing or not."

On [CBS' Face The Nation](#) (2/24, 3.76M), Sen. Edward Markey (D-MA) said, "The responsibility to make sure that there was not a compromise of the presidential election of 2016. If the Attorney General takes the Mueller report and then sanitizes it and releases that as the answer to a comprehensive investigation, then I think the Democrats in the House and Senate along with Republicans have a responsibility to ensure that the American people know what happened in 2016. ... Right now everything rides on that Mueller report, and [Barr] not sanitizing it in a way that is not transparent to the public and the Congress, but Democrats have a responsibility to do that job."

The [Washington Post](#) (2/24, Sonmez, 14.71M) says Democrats "are seeking to ramp up pressure" on Barr "to release the full findings of the report – and setting down a marker for what course they will take if he doesn't," while [Reuters](#) (2/24, Gibson) reports Democrats "hope to use



the Mueller report as the basis for any further investigations into Trump, including whether they would initiate impeachment proceedings."

According to the [New York Times](#) (2/24, Cochrane, 17.89M), it is "unclear how successful efforts to subpoena Mr. Mueller would be." Sen. Roy Blunt (R-MO), a member of the Senate Intelligence Committee, told [CBS' Face The Nation](#) (2/24, 3.76M), "I don't know that you can." Blunt "declined to say whether his committee would also ask Mr. Mueller to testify." Blunt said, "I think we'll have to wait and see what's in the report." The [Wall Street Journal](#) (2/24, Jamerson, Subscription Publication, 6.65M) reports Blunt said the Senate Intelligence Committee's investigation is ongoing and would like be completed and would likely conclude after Mueller finishes his report.

Senate Judiciary Chairman Lindsey Graham said on [Fox News' Sunday Morning Futures](#) (2/24, 1.46M), "Under the regulation, the Attorney General has to report to me and the ranking member, Dianne Feinstein, a summary of what was found, who is going to be pursued criminally if anybody at all. He doesn't have to give us the entire report, but my belief is that collusion really is conspiracy, and nobody has been charged with a crime of conspiracy. Everybody who's been charged has been process crimes, or financial crimes, so my belief is that there is no collusion between the Trump campaign and the Russians, and if there had been, somebody would have been charged by now with the conspiracy." Graham added that Mueller "The Mueller report will be out soon. If there is no evidence of collusion between the Trump campaign and the Russian intelligence community, then that should be the end of all this."

Jonathan Martin of the New York Times said on [CNN's Inside Politics](#) (2/24, 653K), "I tend to think that if there is real news from the Mueller report and that if...at some point and the House becomes an impeachment inquiry, that's going to penetrate throughout the country and the Washington conversation will, in fact, travel beyond the beltway. I think right now we're just not there yet because, let's be honest, there's been such a barrage of news and information about everything Trump and Mueller, various indictments and, you know, leaks. But there's not been a sort of major step like the opening of impeachment articles."

Jeff Zeleny said on [CNN's Inside Politics](#) (2/24, 653K), "It's also a question of how much these Democratic presidential candidates want to spend their time on this. Is that the path to the White House for Sen. [Kamala] Harris or some others? Probably not. One thing is clear. It's hard to imagine Democrats any more fired up about the idea of defeating Donald Trump. But this is certainly firing up the President's base as well. So, the more Democrats fight and push for more information about this, it's going to unify the President's base and that's what he's been trying to do all along."

**AP Analysis: Mueller Has Made Report Public Through Court Records.** An [AP](#) (2/24, Day, Tucker) analysis says that while Mueller "has made not a single public comment since his appointment in May 2017," he "has spoken loudly, if indirectly, in court – indictment by indictment, guilty plea by guilty plea. In doing so, he tracked an elaborate Russian operation that injected chaos into a U.S. presidential election and tried to help Trump win the White House." According to the AP, "Woven through thousands of court papers, the special counsel has made his public report."

**Bannon Says Democrats Trying To Weaponize Mueller's Findings.** The [CBS Weekend News](#) (2/24, story 3, 0:55, Begnaud, 54.71M) reported the President's "former strategist Steve Bannon accused Democrats trying to weaponize the forthcoming findings." Bannon: "I think that 2019 will be the most vitriolic year in American politics since before the Civil War, and I include Vietnam in that." The [New York Post](#) (2/24, Schultz, 4.88M) reports Bannon told CBS, "I think the next 90 days to four months is going to be a real meat grinder."

**Mueller's Prosecutors Recommend Harsh Punishment for Manafort.** The [Wall Street Journal](#) (2/24, Viswanatha, Subscription Publication, 6.65M) reports a sentencing memo from special counsel Robert Mueller's prosecutors unsealed Saturday calls for a harsh punishment for former Trump campaign chairman Paul Manafort. Manafort is expected to respond to the memo Monday.

**Martin: Cohen Congressional Testimony Unlikely To Have Lasting Impact.** Jonathan Martin of the New York Times said on [CNN's Inside Politics](#) (2/24, 653K), "I think that that kind of a hearing will be a major event in Washington, and I think a lot of Democrats nationally will watch it and feel that much more fired up. But I think the lesson of the Trump scandals to date is that they typically have a real impact for a day, a couple of days and they're washed over by whatever the next thing is."

**Steele To Face Defamation Trial Later This Year.** The [Washington Times](#) (2/24, Scarborough, 544K) reports Christopher Steele, who created the anti-Trump dossier, will face a defamation trial in London later this year, "one of two court cases in which he was forced to produce his first and only on-the-record statements on how he investigated and spread Democratic Party opposition research." According to "a lawyer involved in a lawsuit," the London trial "will start this fall, sometime between mid-October and mid-December." Steele is facing a half-dozen libel lawsuits. The London suit, filed in 2017 by Russian entrepreneur Aleksey Gubarev "would be the first to reach trial."

#### **McCabe Says He Is "Speaking Truth To Power" In Book. (WT, ABC, WSJ)**

The [Washington Times](#) (2/24, Richardson, 544K) reports former FBI Deputy Director Andrew McCabe "insisted" in an interview with [ABC's This Week](#) (2/24, 2.72M) that with his book about the Administration, he is "speaking truth to power." Asked "about the latest round of insults leveled by President Trump," McCabe said, "It's unfortunate that this is getting a little bit routine."

But I will say that I don't think there's anything sad or unfortunate about speaking truth to power and telling the story that you lived and the things you saw and heard and the reasons behind the decisions you made." The Times says McCabe's comments "prompt[ed] a round of eye-rolling from Republicans," who were "quick to point out that Mr. McCabe was fired last year for lack of candor and remains under federal investigation over whether he lied under oath about his role in unauthorized media leaks."

**Rivkin, Casey: McCabe's 25th Amendment Claim Should Be Investigated.** In an op-ed for the [Wall Street Journal](#) (2/24, Subscription Publication, 6.65M), David B. Rivkin Jr. and Lee A. Casey, who served in the White House Counsel's Office and Justice Department under Presidents Ronald Reagan and George H.W. Bush, argue that McCabe's claim that Deputy Attorney General Rod Rosenstein brought up the idea of using the 25th Amendment to remove Trump from office should be fully investigated.

#### **Trump Announces "Salute To America" On July 4. (BLOOM, HILL, NYT, USAT, AP, CALLER, NYPOST)**

President Trump took to [Twitter](#) on Sunday to announce, "HOLD THE DATE! We will be having one of the biggest gatherings in the history of Washington, D.C., on July 4th. It will be called 'A Salute To America' and will be held at the Lincoln Memorial. Major fireworks display, entertainment and an address by your favorite President, me!"

To [Bloomberg](#) (2/24, Waller, Krasny, 5.38M), Trump "effectively suggested turning a national holiday into a political rally," though "Washington has for decades staged a non-partisan event each Independence Day that's nationally broadcast on PBS." Trump's tweet "was re-tweeted more than 23,000 times" and "quickly spawned the #holdthedata hashtag on Twitter."

[The Hill](#) (2/24, Wise, 3.27M) reports Washington "already has a range of annual festivities on the Fourth of July," and the [New York Times](#) (2/24, Mervosh, 17.89M) that "Trump has long said he wanted to stage a display of American military might, musing about a parade on Pennsylvania Avenue or a Veterans Day extravaganza...but was stymied last year by spiraling costs that rendered his vision too expensive." The Times adds, "It was unclear whether the Independence Day celebration he announced on Sunday would include any type of parade, or a display of tanks, fighter planes and troops."

[USA Today](#) (2/24, Hayes, 12.61M) likewise says "Washington already hosts an annual concert and fireworks display over the National Mall, an event that attracts thousands each year. But the president claims this year's celebration will be one for the record books." However, USA Today says that it is "not entirely clear whether the gathering has been approved by the National Parks Service." Asked whether the event had been permitted, NPS spokesman Michael Litterst said, "While no final decisions have been made, we continue to work on creating a Salute to America program that will bring Americans from all over the country together in celebration of our great nation."

The [AP](#) (2/24, Lucey) reports the White House "did not provide any additional details Sunday," and "it was not clear who would provide entertainment or how Trump's gathering would fit in" with the annual event that takes place in Washington. The [Daily Caller](#) (2/24, Kruta, 645K) reports "Trump kicked off Sunday morning with a big announcement," and the [New York Post](#) (2/24, Eustachewich, 4.88M) says he "first hinted about plans of the Fourth of July blowout earlier this month, saying it could 'become a tradition' – even though the city already has its own parade, concert and fireworks display on Independence Day."

#### **Officials: White House Panel To Include Scientists Who Dispute Climate Consensus. (WP, AXIOS)**

Citing three unnamed Administration officials, the [Washington Post](#) (2/24, Eilperin, Dawsey, Dennis, 14.71M) reports the White House "plans to create an ad hoc group of select federal scientists to reassess the government's analysis of climate science and counter conclusions that the continued burning of fossil fuels is harming the planet." The National Security Council initiative "would include scientists who question the severity of climate impacts and the extent to which humans contribute to the problem," according to the three officials. To the Post, the move represents the Administration's "most forceful effort to date to challenge the scientific consensus that greenhouse gas emissions are helping drive global warming and that the world could face dire consequences unless countries curb their carbon output over the next few decades."

To [Axios](#) (2/24, Freedman, 745K), the move "represents a frontal assault on climate science reports at a time when public opinion is moving to support cutting greenhouse gas emissions." The panel, it reports, "will likely include William Happer, a physicist who sits on the National Security Council and has long argued that more carbon dioxide in the atmosphere will benefit humanity – a view contradicted by thousands of studies."

#### **Republicans Raise Concerns Over Rao Nomination. (AXIOS)**

[Axios](#) (2/24, Swan, 745K) reports that a "new obstacle has emerged in the path to Neomi Rao replacing Brett Kavanaugh on the powerful D.C. Circuit Court." According to Axios, a "source close to the White House confirmation process" said Sen. Josh Hawley (R-MO) has "deep concerns" about Rao's judicial philosophy and has "raised these concerns with a number of key figures" including Senate Majority Leader McConnell and White House Counsel Pat Cipollone.

#### **Ocasio-Cortez Criticizes Feinstein Over Green New Deal. (WASHEX, WP, BREITBART)**

The [Washington Examiner](#) (2/24, Chaitin, 345K) reports Rep. Alexandria Ocasio-Cortez (D-NY)

"tore into" Sen. Dianne Feinstein (D-CA) "and all 'climate delayers' on Sunday after the California senator was caught on video last week clashing with children about the Green New Deal." During an Instagram livestream, Ocasio-Cortez said, "The issue has gotten worse. So I don't think that working on an issue for 30 years alone is what qualifies as what someone qualified to solve an issue. ... It's not just, 'I've been doing this for 30 years,' so we need to listen to them because frankly people have been failing at the same things for 30 or 40 years."

**WPost Backs "Achievable" Green New Deal.** The [Washington Post](#) (2/24, 14.71M) editorializes, "We favor a Green New Deal to save the planet. We believe such a plan can be efficient, effective, focused and achievable." But the proposal by Ocasio-Cortez and Sen. Edward Markey (D-MA) "does not meet that test. ... Policymakers should focus above all else on quickly and efficiently decarbonizing. They should not muddle this aspiration with other social policy, such as creating a federal jobs guarantee, no matter how desirable that policy might be."

**Comics Publisher Portrays Ocasio-Cortez As Superhero.** [Breitbart](#) (2/24, Huston, 1.25M) reports Chicago-based Devil's Due Comics will portray Ocasio-Cortez as "a comic book superhero 'kicking' Republican butt, the company says." A news release from the publisher depicts Ocasio-Cortez "in a white pants suit standing astride a fallen red elephant while a sheepish and worried blue Democrat donkey stands in the background saying, 'gulp.'"

### **Democrats From "Conservative Districts" Face Questions About Progressive Legislators. (NYT)**

The [New York Times](#) (2/24, Edmondson, Cochrane, 17.89M) reports under the headline "In Conservative Districts, Democrats Have To Answer For Party's Left Wing" that freshmen like Reps. Ben McAdams (D-UT) and Abigail Spanberger (D-VA) are facing questions from constituents about high-profile progressive peers including Reps. Alexandria Ocasio-Cortez (D-NY), Ilhan Omar (D-MN), and Rashida Tlaib (D-MI). The Times calls the questions "another indication that Democrats will have to confront the intraparty tussle between liberals and moderates to decide what they stand for, whom they appeal to and where their electoral future lies."

### **SCOTUS To Consider Fate Of Cross Honoring WWI Soldiers. (NYT)**

The [New York Times](#) (2/24, Liptak, 17.89M) reports that the Supreme Court is set to consider the fate of "a 40-foot cross honoring soldiers who died in World War I" situated on a highway median in Bladensburg, Maryland. The case, "one of the most closely watched of the term, will give the court an opportunity to clarify its famously confused jurisprudence on government entanglement with religion. The court's last encounter with a cross that served as a war memorial was in 2010, and its decision effectively blocking the monument's removal was badly fractured, with six justices writing opinions."

### **Federal Judge Rules Male-Only Military Draft Unconstitutional. (NYT)**

The [New York Times](#) (2/24, Pager, 17.89M) reports Judge Gray H. Miller of Federal District Court in the Southern District of Texas has ruled that "a military draft that applies only to men is unconstitutional...saying that excluding women is no longer justified because they can now serve in combat roles just as men do." Miller "took note of the Supreme Court's 1981 ruling that the exclusion of women from the draft was 'fully justified' because women then were not allowed to serve in combat. But the Pentagon abolished those restrictions in 2015."

### **Fairfax Compares Himself To Lynching Victims. (AP)**

The [AP](#) (2/24, Suderman) reports, "Embattled Virginia Lt. Gov. Justin Fairfax compared himself to Jim Crow-era lynching victims in a surprise speech Sunday, as he resists widespread calls to resign prompted by allegations of sexual assault." Fairfax "strongly defended himself and lashed out at his critics from his rostrum in the state Senate as the 2019 legislative session was coming to a close." He said, "We talk about hundreds, at least 100 terror lynchings that have happened in the Commonwealth of Virginia under those very same auspices. And yet we stand here in a rush to judgment with nothing but accusations and no facts and we decide that we are willing to do the same thing." When Fairfax "finished his five-minute impromptu speech, stunned senators sat in awkward silence."

### **Virginia Redistricting Amendment Advances. (WT)**

The [Washington Times](#) (2/24, Suderman, 544K) reports, "Virginia lawmakers approved a sweeping overhaul Saturday of how legislative and congressional maps are drawn, despite strong objections from some black legislators." A proposed constitutional amendment "would create a new commission empowered to draw legislative and congressional maps during the next redistricting process in 2021, a change from the current practice of lawmakers drawing the maps themselves." The measure must be approved again by next year, and then by voters.

### **In Oscar Speech, Spike Lee Calls For Choosing "Love Over Hate" In 2020. (WT, WP)**

The [Washington Times](#) (2/24, Morton, 544K) reports, "Spike Lee used his acceptance speech at the Academy Awards on Sunday night to call for the rejection of President Trump, albeit not by name." Lee "won for best original script - his first award after almost 30 years as America's prominent black director - for 'Blackkklansman' and immediately began reading a speech praising his African ancestors and how 2019 is the 400th anniversary of the arrival of forced black labor in Virginia." He also said, "The 2020 presidential election is around the corner. Let's all mobilize, let's all be on the right side of history, let's choose love over hate, let's do the right thing."

**Trump, Conway Receive "Razzies."** The [Washington Post](#) (2/24, Andrews-Dyer, 14.71M) reports, "On Friday, President Trump received two 'honors,' but he probably won't be displaying the shiny trophies in the Oval Office anytime soon – or ever. A big winner at the 39th annual Golden Raspberry Awards (or 'Razzies,' as the anti-Oscars event is commonly known), the president took home a pair of the golden fruit-shaped awards for worst actor and worst screen combo (that would be for appearing alongside 'his self-perpetuating pettiness')." Trump received the awards for "Dinesh D'Souza's conservative 'documentary' 'Death of a Nation' and Michael Moore's 'Fahrenheit 11/9.' White House spin doctor Kellyanne Conway snagged a Razzie for worst supporting actress in the Moore documentary."

#### **Hutchinson Says A GOP Challenge To Trump "Would Be Very Difficult." (NBC)**

On [NBC's Meet The Press](#) (2/24, 3.58M), Gov. Asa Hutchinson (R-AR) said "it would be very difficult for someone to mount a successful challenge" to President Trump for the 2020 Republican presidential nomination. Hutchinson added, "You're always going to have a debate. Like I said, there's people who criticize President Trump because we don't like his style. You don't win campaigns on style. I mean, you might win. But in terms of challenging an incumbent, it's about policy and what you've accomplished."

#### **Cupp: Trump Has 2020 "In The Bag" If Things Don't Change. (HILL, USAT, PMZ)**

[The Hill](#) (2/24, Burke, 3.27M) reports "conservative CNN host S.E. Cupp said Saturday that President Trump has reelection 'in the bag' if Democrats don't change course on the campaign trail." During her show "S.E. Cupp: Unfiltered," Cupp said, "If I'm Donald Trump, I'm feeling pretty good about my chances. As long as the media keeps zeroing in on these dumb plot lines and as long as Democrats spend the next year talking about the things most Americans don't prioritize, and as long as candidates sound more like they're running for president in 1950 Russia instead of 2019 America, Trump's got this one in the bag."

**Bannon Predicts Trump Will Win Reelection.** [USA Today](#) (2/24, Lam, 12.61M) reports former White House chief strategist Steve Bannon said in an interview Sunday that President Trump will win reelection "bigger than he won in 2016," but admitted he "will face challenges following investigative reports." On CBS' Face The Nation, Bannon warned "Democrats could weaponize the Mueller report on possible Russian interference and potential collusion by Trump's 2016 election campaign...leading to a contentious climate for the country." Said Bannon, "I think that 2019 is going to be the most vitriolic year in American politics since before the Civil War. And I include Vietnam in that. I think we're in, I think we're in for a very nasty 2019."

**Bernstein: Enough Hispanic Support Could Give Trump The 2020 Election.** David S. Bernstein, a contributing political analyst at WGBH in Boston, writes for [Politico Magazine](#) (2/24, 3.62M) that President Trump is "making an aggressive play for Hispanic-American votes in Florida and beyond." In 2016, he notes that 28 percent of Hispanic voters voted for Trump. Bernstein argues that while there is nothing "to suggest that Hispanics are entering a prolonged love affair with Trump," the "eventual Democratic nominee can't simply assume that Hispanic voters will flock to the polls to prevent his second term. If anything, the challenge for the party looks tougher than in 2016 – when it arguably cost them the White House."

**In 2020, Democrats Seeking To Make Gains In The South.** [USA Today](#) (2/24, Berry, 12.61M) reports, "Looking to fortify their 2018 victories and keep control of the House in 2020, national Democrats are gunning for districts in the 'new frontier' – areas of the South where President Donald Trump is popular." Of the Democratic Congressional Campaign Committee's 2020 "target list, 36 percent of the seats are in Southern states, including Florida, Georgia, North Carolina and Texas. That's up from 24 percent in 2018." DCCC spokesman Cole Leiter said, "We are pushing into once-deep Republican country." According to USA Today, "many of the battles are expected to play out in suburban districts that weren't considered competitive a decade ago."

#### **WPost Analysis: Democratic Presidential Contenders Echoing Trump In Offering Bold Proposals. (WP)**

The [Washington Post](#) (2/24, Scherer, 14.71M) writes under the headline "Go Bold Like Trump, Democratic Presidential Candidates Have Decided" that Democratic presidential candidates have "been swinging for the fences in recent weeks by embracing or entertaining a head-snapping list of policy ideas that were either rejected or ignored by the party's previous standard-bearers. ... Big plans and audacious ideas have so far proved more attractive than pragmatism and caution." The Post says "the ambitious policy talk is giving Democrats a do-over on the 2016 election, in which the aggressive and sometimes patently unworkable policy approach of Donald Trump proved more appealing to key voting groups than the incremental but more realistic agenda" of Hillary Clinton.

#### **Harris Attracts Big Iowa Crowds As Other Democrats Draw Smaller Ones. (WP)**

The [Washington Post](#) (2/24, Wootson, Janes, 14.71M) reports, "Half a dozen prominent Democrats descended on Iowa this weekend, seeking momentum for a primary presidential campaign or testing whether to plunge into an already-crowded field." Sen. Kamala Harris (D-CA) drew "the large, selfie-seeking crowds she has enjoyed since announcing her bid," while others including Sen. Michael Bennet (D-CO), Julián Castro, New York Mayor Bill de Blasio, and ex-Gov. John Hickenlooper drew crowds that "numbered in the double digits."

#### **Harris: Democrats Need "Fighter" Who "Knows How To Prosecute The Case" Against Trump. (WASHEX, MSNBC, CNN)**



The [Washington Examiner](#) (2/24, Yilek, 345K) reports Sen. Kamala Harris (D-CA) argued on Sunday in Iowa “that her experience as a former state attorney general qualifies her to be president because the United States will need a leader who ‘knows how to prosecute the case’ against President Trump.” She said, “We’re gonna need a fighter...and we’re going to need somebody who knows how to prosecute the case against this President.”

Harris said on [MSNBC’s AM Joy](#) (2/24, 955K), “Middle-class working families are not receiving the benefit of this economy. One of my highest priorities is lifting American working-class families up. ... It’s the cost of living that wages are not keeping up with.” On [CNN’s Inside Politics](#) (2/24, 653K), Harris said, “The working class of America, working middle-class families, are suffering. I have met more people who tout the job numbers and unemployment numbers. Yeah, people are working, but they are working two jobs, sometimes three jobs to pay the bills. That’s not right.”

#### **Inslee Says Decision On Presidential Bid Coming “Soon.” (CBS, WP)**

On [CBS’ Face The Nation](#) (2/24, 3.76M), Gov. Jay Inslee (D-WA) was asked when he will decide if he will run for president. Inslee said, “At the right moment, which will be soon. ... It could be as soon as [next week]. ... People want a president that will act on a real emergency, which is climate change.” The [Washington Post](#) (2/24, Balz, 14.71M) reports, “Inslee is on the cusp of declaring his candidacy for the 2020 Democratic nomination – at times, he speaks about running in the present tense – and makes clear that his intention is to build his campaign almost entirely around a message highlighting the urgency of dealing with threats caused by the changing climate.”

#### **De Blasio Visits Iowa. (NYT, NYPOST)**

The [New York Times](#) (2/24, Mays, 17.89M) reports under the headline “Mayor De Blasio Returns To Iowa, Playing The Role Of Coy Presidential Aspirant” that Bill de Blasio this weekend made what “was believed to be his fourth trip to Iowa since he became mayor of New York City in 2014. ... Even if he hasn’t declared, Mr. de Blasio was acting and was treated like a candidate.” The [New York Post](#) (2/24, Marsh, Golding, 4.88M) reports, “Iowans got a taste of [de Blasio’s] penchant for tardiness when he showed up 11 minutes late to a campaign-style event on Sunday.”

#### **Warren Suggests Reparations For Native Americans. (WT)**

The [Washington Times](#) (2/24, Richardson, 544K) reports Sen. Elizabeth Warren (D-MA) “has one-upped the Democratic 2020 presidential competition by saying she would consider reparations not just for the descendants of slaves, but for Native Americans.” Asked Friday in New Hampshire if Native Americans “should be included in the discussion” about reparations, Warren said, “I think it’s a part of the conversation. It’s an important part of the conversation.”

#### **Klobuchar Could Face Early Test In South Carolina. (MINNST)**

The [Minneapolis Star Tribune](#) (2/24, Keen, 1.17M) writes that Sen. Amy Klobuchar (D-MN) could face her “first big 2020 test” in South Carolina. While “nine in 10 residents” of Iowa and New Hampshire “are white,” Nevada on February 22 will test “Klobuchar’s appeal to Latinos will be tested. In South Carolina, which votes Feb. 29, six in 10 Democratic presidential primary voters are black.” Klobuchar made her first stops in South Carolina this weekend.

#### **NYC Public Advocate Special Election Draws Many Candidates But Little Attention. (WSJ)**

On its front page, the [Wall Street Journal](#) (2/24, Honan, Subscription Publication, 6.65M) previews Tuesday’s special election for New York public advocate, where 17 candidates are competing to fill the vacancy left when Letitia James was elected state attorney general last fall. Many voters are not aware of the low-profile election, in which city rules bar candidates from running under traditional party lines and have therefore led to ballot lines such as the Pay Folks More Party. And the No Amazon, Residents First Party.

#### **California Republicans Elect Latina To Lead Party. (POLITICO)**

[Politico](#) (2/24, Marinucci, White, 3.67M) reports the California Republican Party has chosen Jessica Patterson, “the first woman in its history, as chairwoman following a combative election Sunday that pitted loyalists of President Donald Trump against those from the party establishment.” To Politico, the election of Patterson, a “Latina mother of two and an ally” of House Minority Leader McCarthy, to lead the nation’s largest state Republican operation into the 2020 election cycle marked a “dramatic shift in party leadership” that was “cheered by Republican women, who said it signaled a much-needed boost for a party in decline.”

#### **September 11th Victim Compensation Fund Running Out Of Capital. (NYPOST)**

The [New York Post](#) (2/24, Schultz, 4.88M) reports that the September 11th Victim Compensation Fund, which Congress reauthorized through the 2015 James Zadroga 9/11 Act, is running out of money, and Fund Special Master Rupa Bhattacharyya “announced Feb. 15 that the fund has already awarded nearly \$5 billion of its \$7.375 billion funding limit.” The fund’s reduced capital balance has led to benefit recipients being told that “future victims’ compensation payments will be slashed as much as 70 percent.” Sens. Cory Gardner (R-CO) and Kirsten Gillibrand (D-NY), and Rep. Peter King (R-NY), “will introduce legislation to replenish the fund.”

#### **American Al Qaeda Informant Says US Double-Crossed Him. (CBS)**



Scott Pelley reported on [CBS' 60 Minutes](#) (2/24, 98.82M) that American Bryant Viñas "joined Al Qaeda in 2008. But after he was caught, Viñas became an informant, cooperating with the FBI." According to prosecutors, Viñas "may have been the most valuable witness ever in the war on Al Qaeda. Viñas impressed prosecutors and the judge in his case so much that they prepared to shield him from the prospect of Al Qaeda's revenge by putting him in the federal witness protection program. All was prepared, until Bryant Viñas says he was double-crossed" when the Justice Department denied him witness protection. The rest of the story can be seen [here](#).

#### **WSJournal: Whitehouse Hypocritical On Amicus Briefs. (WSJ)**

In an editorial, the [Wall Street Journal](#) (2/24, Subscription Publication, 6.65M) criticizes Sen. Sheldon Whitehouse (D-RI) for opposing Supreme Court friend of the court briefs from what he calls "special interest groups that fail to disclose their donors" while filing his own amicus briefs in federal courts without disclosing that he has received donations from parties involved in the litigation.

#### **WPost: NC9's Harris Must Still Answer Questions. (WP)**

The [Washington Post](#) (2/24, 14.71M) says in an editorial that the North Carolina state election board's decision to hold a new election in the Ninth Congressional District does not free Republican candidate Mark Harris "from the need to answer questions about whether he was personally involved in wrongdoing and why he seemingly tried to mislead the public. Voters were cheated of a fair election, denying the 9th District representation in Congress until a new vote is held. That should not go unpunished."

#### **DNC Unveils New Security Checklist To Protect Campaigns Against Cyberattacks. (HILL)**

[The Hill](#) (2/22, Thomsen, Beavers, 3.27M) reports that the Democratic National Committee (DNC) on Friday "unveiled an updated security checklist aimed at helping campaigns protect themselves from cyberattacks." The list, "the second version released by the DNC in recent months," "calls for staff to keep their devices up to date to prevent hackers from exploiting any exposed vulnerabilities," and "it also calls for staffers to have long, random and unique passwords for their accounts and to use password managers to track those passwords." DNC staffers "are also encouraged to have multifactor authentication set up for their accounts, which requires users to confirm their identities before being able to access their data." Bob Lord, the DNC's chief security officer, "said these basic steps will help protect the campaigns – and their staffers – from falling victim to cyberattacks."

#### **White House "Cyberhotline" Could Warn Russia Against Election Hacking. (DAYBEST)**

The [Daily Beast](#) (2/23, 1.42M) reports, "As concerns mount that Russia will unleash hackers and online disinformation brigades to wreak havoc in another American election, senior U.S. officials are taking a second look at a technology handed down from the age of Gorbachev and Reagan: an emergency 'hotline' between officials in the U.S. and Russia that might someday pull both countries back from the brink of an all out cyberwar." According to the Daily Beast, "The secure messaging system, known colloquially in the White House as the 'cyberhotline,'" was "set up in 2013 – building off a Cold War messaging system, in fact – in the hope that it might facilitate conversations between the two countries during a crisis in cyberspace, where the identities and intentions of attackers are often muddled," and "so far it's been used only once, in the waning days of the Obama administration, when the White House's cyberchief fired off a carefully worded warning to Moscow not to attack the 'infrastructure' for the 2016 election." Since then, "the U.S. has invested in developing a Cold War-style deterrence capability in cyberspace, and military brass have publicly touted their willingness to respond to foreign cyberaggression in kind."

#### **Moscow Concludes Kaspersky Trial Without Hearing From Cybercrime Threat Analyst. (DAYBEST)**

The [Daily Beast](#) (2/22, Poulsen, 1.42M) reported the "top secret trial" of Kaspersky Lab employee Ruslan Stoyanov "wrapped up this week after months of testimony behind the closed doors of a Moscow military court, with prosecutors reportedly demanding 20 years in a penal colony for the crime of allegedly snitching on Russian cybercriminals to American investigators." According to the article, the proceedings ended "without the court hearing from a key figure in the prosecution's theory: the analyst herself, who says the Russian military appears to be on the verge of convicting Stoyanov for treason he didn't commit." Cybercrime threat analyst Kimberly Zenz said, "I formally requested to testify, and they said no. ... You'd think the opportunity to interrogate a 'spy' would be exciting for them, but they don't even bother to pretend."

#### **Skeel: Court Ruling On Puerto Rico Oversight Board Could Spark Chaos. (WSJ, BLOOM)**

David Skeel of the University of Pennsylvania Law School writes in the [Wall Street Journal](#) (2/24, Subscription Publication, 6.65M) that a First Circuit Court of Appeals ruling that Puerto Rico's oversight board is unconstitutional could seriously damage the commonwealth. Skeel argues that if the ruling were to take immediate effect, Puerto Rico would fall into chaos as creditors would swarm to collect what they are owed. The court's ruling focused on the fact that oversight board members are subject to Senate confirmation, and Skeel urges President Trump to nominate permanent members during the 90-day period before the ruling takes effect. The [Wall Street Journal](#) (2/22, Scurria, Subscription Publication, 6.65M) and [Bloomberg](#) (2/22, Kaske, 5.38M) also

covered the topic.

### **RCP Average Has Trump's Job Approval At 44.1%.**

The [Real Clear Politics](#) average of recent polling on President Trump's job approval stands at 44.1%, and his disapproval at 52.6%. The President's approval and disapproval are unchanged from yesterday.

A [Rasmussen](#) poll of 1,500 "likely voters" (2/19-2/21) finds Trump's approval at 49%, with 49% disapproving.

#### ***Trump Touts Approval Rating, Claims Growing Support From Suburban Women.***

President Trump touted his approval numbers on [Twitter](#) Sunday morning, writing, "93% Approval Rating in the Republican Party. 52% Approval Rating overall! Not bad considering I get the most unfair (BAD) press in the history of presidential politics! And don't forget the Witch Hunt!"

In a second [tweet](#), Trump wrote, "Poll: Suburban women are coming back into the Republican Party in droves "because of the Wall and Border Security. 70% support Border Security and the Wall." Not believing the Walls are immoral line. Beverly Hallberg, Independent Women's Forum @KatiePavlich A great USA issue!"

## **THE BIG PICTURE**

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### **Headlines From Today's Front Pages.**

#### ***Wall Street Journal:***

[Trump To Delay Tariff Increases On Chinese Imports](#)  
[Maduro's Opposition Urges Military Force In Venezuela](#)  
[Behind Vale's Deadly Dam Collapse: Multiple Warnings That Went Unheeded](#)  
[There's A Competitive Election Tuesday If Voters Can Figure Out What It's For](#)  
[Bud's Super Bowl Ad Threatens To Derail Beer Alliance](#)

#### ***New York Times:***

[Pope Francis Ends Landmark Sex Abuse Meeting With Strong Words, But Few Actions](#)  
[In Conservative Districts, Democrats Have To Answer For Party's Left Wing](#)  
[Netanyahu Sparks Outrage Over Pact With Racist Party](#)  
['Austerity, That's What I Know': The Making Of A UK Millennial Socialist](#)  
[Trump Delays A Tariff Deadline, Citing Progress In China Trade Talks](#)  
[Defender Of World Order Or Trump Mouthpiece? Pompeo Is Tested By North Korea, Iran and US Allies](#)

#### ***Washington Post:***

['This Is Manila'](#)  
[Maduro's Foes Plan Their Next Moves](#)  
[Vietnam's 'Miracle' Path Hard To Follow In N. Korea](#)  
[Latest Plan To Take Aim At Climate Consensus](#)  
[President Delays Tariff Hike To Help China Talks](#)

#### ***Financial Times:***

[Algeria Rocked By Street Protests Against President](#)  
[May Goes To The Wire With New Brexit Deadline](#)  
[Saudi Arabia Names Princess As US Ambassador In First For Kingdom](#)  
['My Model Is Capitalism': Ethiopia's PM Plans Telecoms Privatisation](#)

#### ***Washington Times:***

[EXCLUSIVE: Special Ops To Turn Focus From War On Terror To China, Russia](#)  
[Shadowy Ex-North Korean Intelligence Chief Emerges As Key To Hanoi Summit](#)  
[Steele's First Defamation Trial Slated In London Court This Fall](#)  
[Trump Under Pressure For Real Results In Summit With Kim](#)  
[Seeing Red: Trump Opponents Say The MAGA Hat Is Much More Ominous Than A Show Of Support](#)

#### ***Story Lineup From Last Night's Network News:***

**ABC:** Severe Weather; Weather Forecast; Houston-Amazon Plane Crash; R.Kelly-Sex Abuse Allegations; Venezuela-Protester Violence; Vatican-Bishops Summit; Trump-North Korea Summit; Oscars; Florida-NFL Patriots' Owner-Prostitution Ring; Dubai-Attempted Plane Hijacking; 'Empire' Actor-Alleged Hate Crime; Antarctica-Baby Orca Encounter; Oscars-Memorable Music.

**CBS:** Severe Weather; Trump-National Emergency; Mueller Investigation; Texas-Border Wall Construction; Trump-North Korea Summit; Vatican-Bishops Summit; Venezuela-Protester Violence; Houston-Amazon Plane Crash; R.Kelly-Sex Abuse Allegations; Florida-NFL Patriots' Owner-Prostitution Ring; Oscars; England-US WWII Airmen Honored With Fly Over; Child Collects Car Decals.

**NBC:** Vatican-Bishops Summit; Severe Weather; South Carolina-Man Dies After Arrest; Trump-North Korea Summit; Houston-Amazon Plane Crash; Venezuela-Protester Violence; France-Italy Relations; Entrepreneur Has Solution To Combat Hunger In US; Inside Look At Mar-a-Lago;

Australia-Fire Tornadoes; UK-Royal Family Morocco Tour; 86-Year-Old Trapeze Artist.

**Network TV At A Glance:**

Vatican-Bishops Summit – 5 minutes, 55 seconds

Severe Weather – 5 minutes, 15 seconds

Trump-North Korea Summit – 5 minutes, 5 seconds

Houston-Amazon Plane Crash – 4 minutes, 50 seconds

Venezuela-Protester Violence- 3 minutes, 30 seconds

**Story Lineup From This Morning's Radio News Broadcasts:**

**ABC:** US-China Trade Negotiations; Trump-North Korea Summit; Oscars-Best Actress; Oscars-Spike Lee; Mike Pence-Colombia Visit; Venezuela-Protester Violence.

**CBS:** Oscars; Weather Report; US-China Trade Negotiations; Trump-North Korea Summit; House-Vote To Block National Emergency; Mueller Investigation.

**FOX:** Trump-North Korea Summit; DNC Chair-Presidential 2020 Debate; House-Vote To Block National Emergency; Oscars.

**NPR:** Virginia-Justin Fairfax Allegations Of Sexual Assault; Oscars; Economic Recession Warning; Cost Of Gas; Box Office.

## D.C. SCHEDULE

### Today's Events In Washington.

**White House:**

- **PRESIDENT TRUMP** — Participates in the 2019 White House Business Session with Our Nation's Governors; departs U.S. en route for Vietnam for second meeting with Kim Jong Un.
- **VICE PRESIDENT PENCE** — Travels to Colombia on behalf of President Trump; participates in a bilateral meeting with the President of the Republic of Colombia; participates in a multilateral meeting with the President of the Republic of Colombia and the Interim President of the Bolivarian Republic of Venezuela;  
delivers remarks to the Lima Group; visits with Venezuelan migrant families.

**US Senate:**

- Congress returns after Presidents Day recess – Congress returns after Presidents Day District Work Period (aka State Work Period), with Republican Sen. Deb Fischer delivering Washington's Farewell Address in the Senate
- PM EESI co-hosts briefing on 'How Climate Change Affects the U.S.' – Environmental and Energy Study Institute (EESI), Union of Concerned Scientists (UCS), and National Wildlife Federation host briefing on 'How Climate Change Affects the United States: Exploring the NCA and IPCC Reports', featuring Democratic Sen. Tom Carper, National Oceanic and Atmospheric Administration (NOAA) National Centers for Environmental Information Center for Weather and Climate National Climate Assessment Technical Support Unit Director Dr David Easterling, The Climate Science Center at Texas Tech University Director Dr Katharine Hayhoe, UCS Director of Climate Science Dr Brenda Ekwurzel, and NWF President and CEO Collin O'Mara  
*Location: Rm 406, Dirksen Senate Office Building, Washington, DC; 2:00 PM*
- Senate convenes, with agenda including consideration of 'S. 311, the Born-Alive Abortion Survivors Protection Act'  
*Location: U.S. Capitol, Washington, DC; 3:00 PM*
- Bipartisan, bicameral Members of Congress and Jon Stewart introduce 'Never Forget the Heroes' 9/11 health bill – Senate Minority Leader Chuck Schumer, fellow Democrats Sen. Kirsten Gillibrand and Reps. Jerry Nadler and Carolyn Maloney, Republicans Sen. Cory Gardner and Rep. Peter King, comedian Jon Stewart, 9/11 health advocate John Feal, NYS AFL-CIO President Mario Cinto, Uniformed Fire Officers Association Local 854 President Jake Lemonda, Uniformed Firefighters Association Local 94 President Gerard Fitzgerald, Police Benevolent Association President Pat Lynch, NYC Building Trades Council Director of Community Affairs & Strategic Initiatives Santos Rodriguez, StuyHealth Executive Director Lila Nordstrom, and 9/11 responders and survivors introduce the bipartisan Never Forget the Heroes: Permanent Authorization of the September 11th Victim Compensation Fund Act" and call for its swift passage  
*Location: SVC-208, U.S. Capitol Visitor Center, Washington, DC; 3:00 PM*
- Dem Sen. Bob Casey hosts Black History Month event – Democratic Sen. Bob Casey hosts Black History Month event celebrating five Pennsylvania five innovators, Lorina Marshall-Blake, Joan Myers Brown, Sulaiman Rahman, Raika Reynolds and Omar Woodward  
*Location: Kennedy Caucus Room, Russel Senate Building 2 Constitution Ave NE, Washington, DC; 4:45 PM*

**US House:**

- Congress returns after Presidents Day recess – Congress returns after Presidents Day District Work Period (aka State Work Period), with Republican Sen. Deb Fischer delivering Washington's Farewell Address in the Senate
- Bipartisan, bicameral Members of Congress and Jon Stewart introduce 'Never Forget the Heroes' 9/11 health bill – Senate Minority Leader Chuck Schumer, fellow Democrats Sen.

Kirsten Gillibrand and Reps. Jerry Nadler and Carolyn Maloney, Republicans Sen. Cory Gardner and Rep. Peter King, comedian Jon Stewart, 9/11 health advocate John Feal, NYS AFL-CIO President Mario Cilento, Uniformed Fire Officers Association Local 854 President Jake Lemonda, Uniformed Firefighters Association Local 94 President Gerard Fitzgerald, Police Benevolent Association President Pat Lynch, NYC Building Trades Council Director of Community Affairs & Strategic Initiatives Santos Rodriguez, StuyHealth Executive Director Lila Nordstrom, and 9/11 responders and survivors introduce the bipartisan Never Forget the Heroes: Permanent Authorization of the September 11th Victim Compensation Fund Act” and call for its swift passage

*Location: SVC-208, U.S. Capitol Visitor Center, Washington, DC; 3:00 PM*

- [House Rules Committee hearing](#) – Hearing on ‘H.R. 8 – Bipartisan Background Checks Act of 2019’ and ‘H.R. 1112, the Enhanced Background Checks Act of 2019’

*Location: H-313, U.S. Capitol, Washington, DC*

**Cabinet Officers:**

- [No schedules released.](#)

**Visitors:**

- [No visitors scheduled.](#)

**This Town:**

- [NGA Winter Meeting concludes, including luncheon with Melania Trump](#) – National Governors Association Winter Meeting, for governors to discuss ‘important issues facing the country’, and providing ‘an opportunity to share the innovative solutions happening every day at the state level’, continues. Events today include governors briefing at the White House (8:00 AM EST); Governors’ Spouses Luncheon with First Lady Melania Trump at the U.S. Navy Memorial (11:00 AM EST); ‘Invest in America! Summit’ Luncheon with keynote speaker (12:00 PM EST), discussion on workforce development with Siemens CEO David Etwiler and Toyota Vice Chairman of the Board of Directors Shigeru Hayakawa (2:00 PM EST), closing remarks by Secretary of Commerce Wilbur Ross (3:35 PM EST), and Invest in America! VIP Reception (4:00 PM EST), all at the U.S. Chamber of Commerce; and concluding with Council on Foreign Relations Reception, with speech from U.S. Institute of Peace Chair Stephen Hadley (5:30 PM EST)

*Location: Washington, DC; 8:00 AM*

- [APTS Public Media Summit](#) – The APTS Public Media Summit, the largest annual gathering of public broadcasting general managers and community leaders exploring the issues that are vital to the future and mission of public service media

*Location: The Fairmont Hotel, 2401 M St NW, Washington, DC; 8:30 AM*

- [U.S. Supreme Court hearing](#) – U.S. Supreme Court hearing: ‘Manhattan Community Access Corporation v. Halleck’ (Whether the Second Circuit erred in rejecting the U.S. Supreme Court’s state actor tests and instead creating a per se rule that private operators of public access channels are state actors subject to constitutional liability? Whether it erred in holding that private entities operating public access television stations are state actors for constitutional purposes where the state has no control over the private entity’s board or operations?)

*Location: Supreme Court of the United States, Washington, DC; 10:00 PM*

- [Invest in America! Summit](#) – Annual Invest in America! Summit, hosted by the U.S. Chamber of Commerce and held in partnership with the National Governors Association (NGA) and the State International Development Organizations (SIDO) to discuss the benefits and challenges of foreign investment in the U.S. Speakers include Indiana Governor Eric Holcomb

*Location: U.S. Chamber of Commerce, 1615 H St NW, Washington, DC; 12:00 PM*

- [Deputy AG Rosenstein speaks on ‘defending rule-of-law norms’ at CSIS](#) – ‘Defending Rule of Law Norms’ Center for Strategic and International Studies conversation, with Deputy Attorney General Rod Rosenstein discussing ‘the importance of defending rule-of-law norms and the contrast between the Department of Justice’s efforts and the Chinese Govt’s efforts on these issues’

*Location: Center for Strategic and International Studies, 1616 Rhode Island Ave NW, Washington, DC; 12:00 PM*

- [Lima Group meet in Colombia to discuss Venezuela](#) – Lima Group meet in Bogota, Colombia, with foreign ministers from a coalition of Latin American nations considering what to do next to help Venezuela resolve its growing political and humanitarian crisis. Attendees include Vice President Mike Pence

*Location: Bogota*

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FHFA Briefing

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## FHFA NEWS

### Experts Believe Calabria Will Prioritize Capital Retention For GSEs. (AMBNKR)

[American Banker](#) (3/10, Lang, Subscription Publication, 22K) reports, "Some experts expect Mark Calabria, an administration official who could be confirmed" as FHFA Director "as early as this month, to prioritize a plan for letting the government-sponsored enterprises retain more capital once he takes the helm of the agency." Greater capital retention would "likely be achieved by the Treasury Department and FHFA renegotiating the agreement requiring Fannie and Freddie to hand over profits to pay for their bailouts – to allow the GSEs to retain more of their earnings." This plan "would be less ambitious than other proposals to more drastically upend the housing finance system, such as releasing Fannie and Freddie from their conservatorships without Congress legislating structural changes to the system." Acting FHFA Director Joseph Otting earlier this year "indicated the administration wanted to move forward on GSE reform without Congress."

## FANNIE MAE AND FREDDIE MAC

### Freddie's MBS Business Rebounds In February. (INSDMORTG)

Behind a paywall, [Inside Mortgage Finance](#) (3/8, Subscription Publication) reported that Freddie Mac "increased its production of single-family mortgage-backed securities at a time when its two secondary market competitors saw significant declines in volume."

In a separate piece, [Inside Mortgage Finance](#) (3/8, Subscription Publication) reports new production of agency single-family mortgage-backed securities "fell for the sixth consecutive month in February, according to a new analysis by Inside MBS & ABS." Fannie Mae, Freddie Mac, and Ginnie Mae "generated only \$69.97 billion of single-family MBS last month." That was "down 13.3% from January and represented the slowest month since the \$68.66 billion issued in May 2014." Freddie "bucked the trend with a modest increase in production from January."

### TPO Volume In Agency MBS Declined Sharply In 2018. (INSDMORTG)

[Inside Mortgage Finance](#) (3/8, Subscription Publication) reported that despite "hefty declines in their sales volume last year, Wells Fargo and PennyMac continued to rank as the top sources of third-party originations in agency mortgage-backed securities." Wells "delivered \$76.88 billion of TPO loans, virtually all of them from correspondents, into Fannie Mae, Freddie Mac and Ginnie Mae MBS."

### Impact Of Letting QM Patch Run Out Discussed. (MREP)

[M Report](#) (3/8, Welborn) reported, "With the Ability to Repay and Qualified Mortgage Rule (QM) patch which allows Freddie Mac and Fannie Mae to exceed the QM debt to income (DTI) test set to automatically expire at the beginning of 2021, the Consumer Financial Protection Bureau has requested for information in 2017 and subsequent assessment of the rule published in January of 2019." AEI Center on Housing Markets and Finance Codirector Edward Pinto is paraphrased saying that "letting the patch run out as intended will ultimately be beneficial to homeowners."

### Fannie's Duncan Weighs In On BLS Jobs Report And Impact On Housing. (DSN)

[DS News](#) (3/8, Writer) reports the February 2019 Employment Situation “released by the Bureau of Labor Statistics (BLS) on Friday showed that hiring slowed sharply for the month with only 20,000 new jobs, compared to the 181,000 jobs that economists expected to be added in February.” Fannie Mae Chief Economist Doug Duncan weighed in on the report, saying, “We expect the Fed to raise rates only once more this year, in June, before pausing. Meanwhile, in the residential construction sector, a weather-sensitive industry, the number of jobs fell in February. However, the sharp increase in housing starts and continued improvements in builder sentiment suggest that this month’s decline does not signal a continuation of weakness in the industry.”

#### **Report Of Kushner Getting \$1.15B In GSE Loans Discussed. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (3/7, Subscription Publication) said that last month, Bloomberg “reported that Kushner Cos., the real estate investment firm owned by the family of President Trump’s son-in-law and senior advisor Jared Kushner, was in negotiations with Fannie Mae and Freddie Mac for as much as a \$1.15 billion in loans.” Some facts, “though, make it difficult to know if the story is accurate.”

#### **Delinquency Rates On Commercial, Multifamily Mortgages Continue At Historic Lows. (HOUSEWR)**

[HousingWire](#) (3/8, 8K) reported that newly released data from the Mortgage Bankers Association shows that “delinquency rates on commercial and multifamily mortgages remained near historic lows during the fourth quarter, just as they did all year.” And “without drastic changes to the economy in the future, things will probably remain the same, Jamie Woodwell, MBA’s vice president of research and economics, said.” According to the MBA report, “delinquency rates among the five largest investor-groups basically remained unchanged from the third quarter totals, which were also extremely low. Those five groups, commercial banks and thrifts, commercial mortgage-backed securities, life insurance companies, Fannie Mae, and Freddie Mac, hold more than 80% of the commercial/multifamily mortgage debt outstanding.”

#### **Gateway Mortgage Group Hires Ken Harrison. (DSN, HOUSEWR)**

[DS News](#) (3/10, Joseph) reports Gateway Mortgage Group “announced Ken Harrison, CMB as its VP of Agency Relations.” In this role, Harrison “will be responsible for managing relationships with Gateway’s most consequential investors, government and industry partners. In addition, he will play a key role in product development activities for the firm.”

[HousingWire](#) (3/8, 8K) reported Harrison “worked previously as customer account team leader at Fannie Mae, where he managed strategic relationships, business results, and performance for select clients, including Gateway.” Prior to that, “he worked at Freddie Mac in strategic client management, external operating risk management, servicing relations and performance management.”

#### **TD Bank Names Innis-Thompson Head Of National Community Lending. (NATMOPRO)**

[National Mortgage Professional](#) (3/8) reported TD Bank has hired Michael Innis-Thompson “as Senior Vice President and Head of National Community Lending for the bank’s Residential Lending businesses.” Prior to joining TD Bank, Innis-Thompson served as Managing Director of Community Lending and Investor Relations for MUFG Union Bank. He has “held senior roles in compliance, business development and product marketing for Wells Fargo, Bank of America, Fannie Mae and Freddie Mac.”

### **HOUSING FINANCE AND INDUSTRY**

#### **Black Knight: Housing Market Slowdown “Could Be Good News For Homebuyers.” (HOUSEWR)**

[HousingWire](#) (3/8, Lloyd, 8K) reported home price appreciation “has officially slowed its growth for the tenth consecutive month, according to a recent report from Black Knight.” Black Knight’s data “further proves the slowdown is coming in fast.” Black Knight Data & Analytics President Ben Graboske is quoted saying, “At the end of December, home prices at the national level had fallen 0.3% from November for their fourth consecutive monthly decline. ... As a result, the average home has lost more than \$2,400 in value since the summer of 2018.” But Graboske “believes the slowdown could give way to an increase in home sales from many prospective homebuyers.” He said, “There is good news in these numbers for prospective homebuyers, though. Combined with the average 30-year fixed rate declining by more than half a point over the last three months, housing is now the most affordable it’s been since early in the 2018 home-buying season.”

#### **Newly Elected NAHB Chairman Greg Ugalde Discusses Homebuilding. (AP)**

The [AP](#) (3/10, Veiga) reports that rising US home prices “and a shortage of properties on the market have made homes less affordable for many would-be buyers, even after the fall in mortgage rates over recent weeks.” The trend is “also problematic for homebuilders, because newly built homes tend to be more expensive relative to resale properties.” The National Association of Home Builders’ new chairman, Greg Ugalde, “calls home affordability a growing crisis and the most important issue facing the homebuilding industry.” Ugalde “recently spoke to The Associated Press about immigration reform and other proposals aimed at boosting new home construction.”

### **Amherst Residential "Continues Single-family Rental Buying Spree With \$404 Million Deal." (HOUSEWR)**

[HousingWire](#) (3/8, 8K) reports Texas-based Amherst Residential "has been betting big on the single-family rental market, scooping up millions of dollars' worth of properties across the U.S. to build a portfolio of more than 23,000 homes." HousingWire discusses "Amherst's latest \$404.1 million acquisition of 2,400 properties located in multiple states that was closed in a series of transactions that began in October 2018."

### **New York Offering \$35.5 Million To Expand Housing Support Services For Medicaid Beneficiaries. (CRNYBIZ)**

[Crain's New York Business](#) (3/8, Henderson, 230K) reported New York "is offering up to \$35.5 million to procure and expand a rental subsidy and transitional housing support services program for Medicaid members." The five-year funding is "to be awarded to a single statewide provider of services."

### **New Millionaires To Alter San Francisco Housing Market Following Airbnb, Other Unicorn IPOs. (NYT)**

Writing for the [New York \(NY\) Times](#) (3/7, Bowles, 17.76M), Nellie Bowles reports on the impact of high value IPOs on the San Francisco housing market. Bowles writes as "Uber, Lyft, Airbnb and Pinterest plan to go public...California's newly minted rich will be hungry for parties, houses, boats, bikes – and ice sculptures." Bowles says "big wealth" comes "when a start-up goes public, transforming hypothetical money into extremely real money," and this year "with Uber, Lyft, Slack, Postmates, Pinterest and Airbnb all hoping to enter the public markets – there's going to be a lot of it in the Bay Area." Estimates of Uber's value "have been as high as \$120 billion," while Airbnb "was most recently valued at \$31 billion, with Lyft and Pinterest around \$15 billion and \$12 billion." While it is "anyone's guess what prices these companies actually will command once they go public...even conservative estimates predict hundreds of billions of dollars will flood" into San Francisco next year. Real estate agent Deniz Kahramaner said, "All cash. These are all cash buyers...It's just going to be astounding."

### **Investigation Finds Many Veterans And Their Families Face "Deplorable Living Conditions." (NBC)**

[NBC Nightly News](#) (3/8, story 9, 2:35, Holt, 7.83M) reported on its investigation "into an alarming problem impacting potentially thousands of veterans and their families: deplorable living conditions – mold, lead, leaks, and more – found in military housing run by private companies." Correspondent Gabe Gutierrez "spoke with one family fighting a battle on the home front." Gutierrez also said that 51 percent of respondents to a survey carried out by the Military Family Advisory Network "had a negative or very negative experience with privatized military housing."

### **SIFMA Finally Endorses Uniform MBS. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (3/8, Subscription Publication) reported that the Securities Industry and Financial Markets Association Thursday "finally approved the uniform mortgage-backed security for delivery in the crucial to-be-announced market."

### **Lenders, Industry Disputes HUD Claim That Policies Related To DACA Recipients Have Not Changed. (HOUSEWR)**

[HousingWire](#) (3/8, Lane, 8K) reports the Department of Housing and Urban Development, Federal Housing Administration, and Department of Agriculture "told HousingWire earlier this week that their policies have not changed in regard to mortgages to Deferred Action for Childhood Arrivals recipients." But multiple lenders and mortgage industry participants have said "that HUD seems to be saying one thing and doing another." In the "wake of HousingWire's coverage of whether the government is backing mortgages for DACA recipients, also called Dreamers, several in the lending industry have reached out to say they've received a direct statement from a HUD representative stating that the Dreamers are no longer eligible for FHA mortgages."

### **Alabama's History Of Loose Mobile-Home Codes Highlighted By Tornado. (WSJ)**

The [Wall Street Journal](#) (3/9, Bauerlein, McWhirter, Subscription Publication, 7.24M) reported on Alabama's mobile-home codes and how those rules affect residents during emergency weather situations. Alabama had loose mobile-home installation code enforcement until 15 years ago. The Journal says the recent tornado that struck the state – killing 23 people, half of whom were inside mobile homes ripped from the ground – highlights the state's history of loose mobile-home codes.

### **City Could Have To Repay \$500,000 In Federal Housing Money. (AP)**

The [AP](#) (3/9) reported a south Mississippi city "could have to repay \$500,000 that the federal government says was 'inappropriately used...without adequate documentation.'" Citing WDAM-TV, the AP reported the Department of Housing and Urban Development "demanded money back from Hattiesburg after an audit of housing program funds from 2013 to 2017." Hattiesburg officials "said they intend to seek a meeting with HUD to discuss the issue."

### **Connecticut Gov. Says He Fully Supports Foreclosure Mediation Program. (HARTC)**

The [Hartford \(CT\) Courant](#) (3/8, Gosselin, 703K) reports that as a candidate last fall, Connecticut

Gov. Ned Lamont "pledged to take a strong stand in the fight to end homelessness, and his tactical strategy included the state's foreclosure mediation program." But when Lamont "proposed his first budget, covering the next two fiscal years, his financial commitment to the program appeared as this: \$0." On Friday, the Lamont administration "said it believes the program – set to expire June 30 – can be absorbed into the state's judicial system, if state legislators do not extend a standalone program through 2023, as a bill approved this week by the General Assembly's banking committee proposes."

#### **Carson Says He Would Consider Serving As HUD Secretary After 2020 If Trump Asked. (WP)**

The [Washington Post](#) (3/8, Shaban, 15.31M) reports Housing and Urban Development Secretary Carson "was so moved by the people who approached him at an airport to thank him for his service and say they were sorry to see him go that he decided to clarify matters in a Facebook post with a bold headline: 'I AM NOT LEAVING!'" The Post adds that Carson "wrote that he will continue to serve President Trump 'enthusiastically' and is committed to completing his four years as HUD secretary. But if Trump wins the 2020 election and asks Carson to stay on, he would 'consider serving another term,' he said."

#### **Ralston Advocates For Widespread Adoption Of IPEN, RON. (NATMORNW)**

Black Knight Director of E-Lending Strategy John Ralston writes in an op-ed at [National Mortgage News](#) (3/8) that states across the country are grappling "with whether – and how – to allow e-notarizations, a critical step in achieving the goal of widespread adoption of end-to-end digital real estate transactions." He advocates for widespread adoption "of IPEN and/or RON," which he says "would be a clear win for everyone involved in the real estate transaction."

#### **BankThink: Regulators Should Require Banks To Check ATR. (AMBNKR)**

In a BankThink piece for [American Banker](#) (3/8, Subscription Publication, 22K), Mike Calhoun, President of the Center for Responsible Lending, wrote that Consumer Bankers Association President Richard Hunt asserted in a recent op-ed "that bank payday loans were a service to customers and argues that they should be restarted," but the "facts...show that while these loans produced huge fees for banks, they were a usurious debt trap for bank customers." Regulators "rightly took actions" in 2013 that led to most banks stopping the issuance of "these dangerous balloon-payment payday loans." Guidance issued by the OCC, the Fed, and the FDIC "allowed responsible credit offerings to continue unimpeded." To prevent the "return of unaffordable bank payday loans," regulators "should require banks to check a borrower's ability to repay the loan, a process that can be streamlined but that must consider both income and expenses."

### **TOP NATIONAL NEWS**

#### **Trump Tweets About Booming Job Market.**

President Trump on Sunday morning praised the US economy and low unemployment on Twitter. The President [tweeted](#), "More people are working today in the United States, 158,000,000, than at any time in our Country's history. That is a Big Deal!"

#### **Kudlow: Growing Trade Deficit Is Neither Good Nor Bad. (WT, WP)**

The [Washington Times](#) (3/10, Sherfinski, 645K) reports in an appearance on Fox News Sunday, NEC Director Kudlow "characterized a widening U.S. trade deficit – which included a record trade gap in goods of \$891 billion last year – as neither good nor bad." Kudlow said, "You have incentives for investment and economic growth. The U.S. is bound to have a trade deficit in goods with the rest of the world [because] we're growing much faster than they're growing and so we're buying more of their goods. ... On the other hand, we have [a] trade surplus on services and we have a surplus on investment income coming into the USA so I don't want to get too hung up on that. ... It's neither good nor bad. It just is. But we have to have tough, reciprocal trading policies with our neighbors."

Robert Samuelson writes in the [Washington Post](#) (3/10, 15.31M) that the latest trade deficit "should give President Trump a lesson in the economics of trade." Samuelson argues that by his own standard, Trump's "policy has failed, even as he implausibly claims that it hasn't. Had he heeded economists, both liberal and conservative, he could have avoided this embarrassment."

#### **WPost: Threat To Blow Up NAFTA Could Sink Trump's Reelection. (WP)**

A [Washington Post](#) (3/10, 15.31M) editorial says ratification of the President's replacement for NAFTA, the US-Mexico-Canada Agreement (USMCA), "is desirable not because the USMCA is a good deal but because the alternative – Mr. Trump's threatened pullout from NAFTA – would be worse." The Post adds that House Democrats are demanding "more changes to the trade deal as their price for Democratic votes" and "both Canada and Mexico have announced their legislatures won't ratify it unless Mr. Trump agrees to lift separate tariffs he imposed on their steel products." According to the Post, with the 2020 election coming, Trump's "threat to blow up NAFTA looks more and more like a threat to blow up his own reelection – i.e., a bluff. Cooler heads on Mr. Trump's trade team, if any, should counsel patience."



### **Do So. (WP)**

The [Washington Post](#) (3/10, Jan, 15.31M) reports on the “tricky calculus” businesses face over deals involving President Trump’s immigration policies. While there are lucrative “business opportunities presented by the expanded immigration detention regime,” pursuing that business can result in “backlash from the public and even their own employees.” JPMorgan Chase last week followed US Bank and Wells Fargo in divesting from private detention centers; several major public employee pension funds have similarly divested. But tech companies have been slower to do so, failing to set “clear parameters regarding what kind of business they will – or will not – pursue, some investors said.”

### **Wells Fargo Supports Female Fintech Founders, Accepts Two Fintechs Into Accelerator. (AMBNKR)**

[American Banker](#) (3/8, Crosman, Subscription Publication, 22K) reported, “Wells Fargo, PayPal and Discover are backing an effort to bring venture capital money to fintech startups founded by women.” The program, Female Founders in FinTech, is “about showcasing a group of companies that we hope will inspire other founders,” Lisa Frazier, head of innovation at Wells Fargo, said at the program’s Thursday night event. Wells Fargo also announced at the event that it has accepted Ascent RegTech and Motiv into its startup accelerator. In the bank’s accelerator, “startups stay in their own space while the bank invests up to \$1 million in them and helps guide them toward enterprise-readiness.”

### **Philadelphia Sues Big Banks For Allegedly Fixing Rates. (BLOOM)**

[Bloomberg](#) (3/8, Mysak, 4.73M) reported Philadelphia “says that price-fixing by seven Wall Street banks has cost states and municipalities billions of dollars,” and the city “says it was unaware of the scam until whistle-blower Johan Rosenberg came forward.” Philadelphia is suing the banks that “acted as remarketing agents for \$1.6 billion” in variable-rate demand obligations, alleging they “set their interest rates a little bit higher than market conditions would have otherwise justified” to “avoid having investors put the bonds back,” and “to avoid having borrowers switch to a bank offering a lower rate, they conspired to keep rates in line with each other.” The city’s charges are echoed in lawsuits filed by the whistle-blower on behalf of New York, California, Illinois, and Massachusetts. The banks – JPMorgan Chase, Bank of America, Citigroup, Goldman Sachs, Wells Fargo, RBC Capital Markets, and Barclays – “are contesting the whistle-blower’s charges.”

### **Warren Proposes Regulations To Break Up Tech Companies. (CBS, CNN)**

On [CBS’ Face The Nation](#) (3/10, 3.43M), Sen. Elizabeth Warren (D-MA) discussed potential regulations breaking up large tech companies. She said, “The giant tech companies right now are eating up little tiny businesses, start-ups, and competing unfairly. Look at it this way: Someone like Amazon runs a platform, you know, the place where you buy your coffeemaker and get it delivered in 48 hours. And that’s great. But in addition to that, they’re sucking up all that information about every purchase, every sale, and every one of the other little businesses that are offering their products on Amazon, and when Amazon sees one that’s profitable, they say, hmm, I think we’ll go into business against them now that they’ve got all this extra information. And they put their own business out there to compete on selling coffeemakers, put themselves on page one, put the competitor back on page six, and the competitor’s business is just gone.”

Asked about the potential regulations on [CBS’ Face The Nation](#) (3/10, 3.43M), Democratic presidential candidate John Hickenlooper said, “I think you’ve got to look at the environment and how the system is working. And for several decades now increasingly people in the middle class and poor people in this country have not had the security and opportunity that our economic system used to create for them. That is the reason why we’re seeing such a large decline in the number of start-ups, people starting businesses, and maybe some of that is due to these large companies that, you know, usually when someone is going to start a business, they’re already a successful employee somewhere, maybe they’re looking at that landscape and saying, you know, these companies are too big, I can’t get in. I think that’s one of the arguments that she’s trying to make. We have to make sure that we have a competitive system whereby little guys feel they have an honest, decent chance to succeed.”

On [CNN’s State Of The Union](#) (3/10, 801K), Gov. Jay Inslee (D-WA), a presidential candidate, said, “I think we need to do things to protect Americans in this new economy. . . . A couple days ago we passed one of, if not the best privacy bills in the United States, so that our privacy cannot be shopped and marketed and commoditized. . . . Second, we have to protect our net neutrality. I’m proud to have signed the first law in the United States by statute that will protect our net neutrality. Third, we have got to look at the tax issue where working people are paying a disproportionate amount of the tax burden. There are many things we need to do to protect people in this new Internet age. I look forward to being involved in those discussions.”

### **Financial Analysts Warn NYC May Be Heading Toward Bankruptcy. (NYPOST)**

The [New York Post](#) (3/10, Byrne, 5.69M) reports financial analysts warn New York City is “careening closer to all-out financial bankruptcy” as “tax-fleeced businesses and individuals flee en masse.” The city’s “long-term debt is now more than \$81,100 per household,” and Mayor Bill de Blasio “is ramping up to spend as much as \$3 billion more in the new budget than the current \$89.2 billion.” Milton Ezrati, chief economist of Vested, said, “The city is running a deficit and could be in a real difficult spot if we had a recession, or a further flight of individuals because of tax

reform.”

### **JPMorgan Combines Commercial Banking Groups. (REU)**

[Reuters](#) (3/11, Dilts) reports JPMorgan Chase “said on Monday it is combining its middle-market technology and emerging growth commercial banking teams to better position the bank to handle start-ups that rapidly grow to be big companies.” James Millar and Alton McDowell will lead the technology and disruptive commerce industry group, which “will focus on promising start-ups that specialize in software, semiconductors, food, health and wellness, lifestyle and pet products.” JPMorgan “will use this group to sell these small to mid-market companies everything from handling their treasury, payments, credit and financing, to mergers and acquisitions advice.”

### **WSJournal: Limiting Share Buybacks Hurts Investment. (WSJ)**

The [Wall Street Journal](#) (3/10, Subscription Publication, 7.24M) editorializes in opposition to plans to limit share buybacks, arguing they are one way a company can return money to owners. The Journal contends banning buybacks will not create better investment options inside companies and would instead allow CEOs to waste cash on corporate jets or unprofitable pet projects. A proposal by Sen. Marco Rubio (R-FL) to tax corporate buybacks the same way as dividends, according to the Journal, would give politicians more leverage to direct how business deploy their capital, which would produce less overall investment.

### **Trump To Seek \$8.6B For Border Wall In Budget Proposal To Be Released Today. (ABC, CBS, AP, BLOOM, NYT, USAT, WT, HILL, FXNEWSN, WSJ, POLITICO, REU, AFP)**

Coverage of the President’s FY 2020 budget proposal, to be released Monday, focuses primarily on the planned request for \$8.6 billion for construction of a US-Mexico border wall. [ABC World News Tonight](#) (3/10, story 7, 1:50, Llamas, 6.4M) reported that with a “new border wall showdown brewing, the price tag [is] growing. The White House says that President Trump will request \$8.6 billion to fund the wall when he releases details of the proposed budget plan tomorrow.” Democrats are saying Trump “is risking yet another government shutdown.” ABC’s Tara Palmeri: “The President’s latest ask is billions above what he requested months ago, sparking the longest government shutdown in US history.” In a joint statement, House Speaker Pelosi and Senate Minority Leader Schumer “smacked down the President’s funding attempt.”

In a briefer item, Errol Barnett of the [CBS Weekend News](#) (3/10, story 5, 0:50, Quijano, 4.09M) reported Trump is “preparing to announce his new budget proposal Monday, which will include an increase in defense spending, and five percent cuts across the board in domestic expenditures. Democrats are already resisting the President’s effort to include border wall funding as well.”

The [AP](#) (3/11, Mascaro) reports, “Trump is reviving his border wall fight, preparing a new budget that will seek \$8.6 billion for the U.S-Mexico barrier while imposing steep spending cuts to other domestic programs and setting the stage for another fiscal battle.” While budget documents “are often seen as just a starting point” of negotiation, “fresh off the longest government shutdown in history Trump’s 2020 proposal shows he is eager to confront Congress again to reduce domestic spending and refocus money on his priorities.” [Bloomberg](#) (3/10, Sink, 4.73M) reports, “The request is in addition to the funds that Trump is hoping to allocate through executive action after declaring a national emergency in February over the situation on the border.”

The [New York Times](#) (3/10, Baker, Tankersley, 17.76M) says the President, “undaunted by perhaps the most bruising legislative defeat of his tenure, plans to kick off a fresh effort on Monday to pressure Congress to pay for a wall along the southwestern border, most likely setting up another showdown with Democrats.” The Times says the President “failed to extract even a single extra dollar for his wall during [the] winter battle” that led to the shutdown. In their statement, [USA Today](#) (3/10, Cummings, 13.11M) reports, Pelosi and Schumer said, “Congress refused to fund his wall and he was forced to admit defeat and reopen the government. The same thing will repeat itself if he tries this again. We hope he learned his lesson.”

The [Washington Times](#) (3/10, Sherfinski, 645K) reports NEC Director Kudlow said the President’s “‘tough’ 2020 budget blueprint...could trigger a new fight over the his desired U.S.-Mexico border wall.” Kudlow said on Fox News Sunday, “The whole issue of the wall and border security is of paramount importance. We have a crisis down there. I think the President has made that case very effectively.” [The Hill](#) (3/10, Samuels, 3.58M) reports Kudlow also said Trump “will call for an across-the-board domestic spending cut of 5 percent in his budget proposal, even as he asks for an increase in funding for a wall along the southern border.”

Kudlow said on [Fox News Sunday](#) (3/10, 1.85M), “We believe the 3 percent growth rate of 2018 will continue in 2019 and beyond 2020, so I think the other element is always to limit spending, and the President is proposing roughly a 5 percent across-the-board reduction in domestic spending accounts. It will be a tough budget. We are doing our own caps this year, and I think it’s long overdue. Some of these recent budgets have not been favorable toward spending, so I think it’s exactly the right prescription.” The [AP](#) (3/11, Mascaro) reports OMB Acting Director Russ Voight said the proposal “embodies fiscal responsibility.”

The [Wall Street Journal](#) (3/10, Davidson, Radnofsky, Subscription Publication, 7.24M) reports the budget document will propose \$2.7 trillion in cuts to nondefense discretionary spending over the next 10 years, according to Kudlow. He did not offer specifics on the cuts. [Politico](#) (3/10, Scholtes, Emma, 3.61M) calls it “an audacious plan for sucking 5 percent from the budgets of nonmilitary arms of the federal government, while using an accounting trick to bust beyond set spending limits for defense programs.”

Sen. Kamala Harris (D-CA) [tweeted](#), "Let's get this straight: billions of dollars for a border wall is a waste of money. American taxpayers shouldn't foot the bill for the President's vanity project. We simply don't need it." Rep. Nita Lowey (D-NY) [tweeted](#), "Democrats oppose both more funding for the wall and President Trump's attempt to backfill funding he is stealing from military construction projects. This ridiculous request, like the rest of the Trump budget, is not even worth the paper it's written on." Rep. Lucille Roybal-Allard (D-CA) [tweeted](#), "As DHS Appropriations chair, I am fighting to ensure our funding targets areas that will truly protect our country and keep us safe, and not waste taxpayer dollars on Trump's ineffective border wall."

Rep. Dan Crenshaw (R-TX) [tweeted](#), "Fighting against border security will be a losing issue for Democrats. I'm looking forward to the debate." Rep. Tom Reed (R-NY) [tweeted](#), "We should not let politics over the word 'wall' drive this debate. We have been presented the facts regarding the crisis at the border. It is time for Congress to do its job."

Jim Tankersley of the New York Times [tweeted](#), "The White House budget forecasts 3.2% growth this year, per @WhiteHouseCEA. The Fed forecasts 2.3%. Big difference for workers, for wages, for the budget deficit, depending on who's right." [Reuters](#) (3/10, Rampton), [AFP](#) (3/10, News), and [The Hill](#) (3/10, Samuels, 3.58M) also report on the budget, focusing on the expected border security request.

### **Barrasso Says He Is "Going To Support The President" On Emergency Declaration. (FOX, CNN, WP, WSJ)**

On [Fox News' Sunday Morning Futures](#) (3/10, 1.44M), Sen. John Barrasso (R-WY) said of the upcoming Senate vote on President Trump's declaration of a national emergency at the US-Mexico border, "I'm going to support the President. I think the President is absolutely right on declaring the emergency here. ... Today, 130 Americans will die of drug overdoses in the United States. So much of that is coming in from Mexico, we have a security issue and also a humanitarian issue."

However, on [CNN's State Of The Union](#) (3/10, 801K), Rep. Will Hurd (R-TX), one of the [13 Republicans](#) who voted last month to show disapproval of the declaration, said, "I have multiple military bases in my district. There's a plan to take about \$4 billion away from construction at our military bases. ... We have, what, six months, seven months left in the fiscal year we had a bill that funded border security. ... We need to be focusing on things like fixing asylum."

The [Washington Post](#) (3/10, Demirjian, 15.31M) reports on the comments from both Barrasso and Hurd in a story headlined "GOP Bracing For Trump To Veto Congress's Rejection Of His Emergency Declaration." The Post says Barrasso's statement that Trump will veto the measure is "an effective admission that the GOP does not have the votes to prevent the full Senate from voting to annul Trump's order."

**Julián Castro: "Administration Has Taken The Wrong Path" At Border.** Democratic presidential candidate Julián Castro said on [CNN's State Of The Union](#) (3/10, 801K), "Last year, the Administration said that they were taking little children away from their parents because they wanted to deter other families from coming. ... Instead of deterring these families, we see more families coming. ... One of the problems is this Administration has taken the wrong path. I think what we need to do in the long run really is to engage" El Salvador, Guatemala, and Honduras "and figure out a way to work with them so people can find safety and prosperity there instead of knocking on the doorstep of the United States."

**WPost: Administration Has "Wrong Prescription" For "Crisis" At Border.** The [Washington Post](#) (3/10, 15.31M) editorializes, "A surge in illegal border crossings, especially by Central American parents and children seeking asylum in the United States, has been seized on by administration officials as justification for President Trump's emergency declaration and border wall." But while it is "a genuine humanitarian crisis," the Post says it is "not one that would best be addressed by adding more border barriers." The Post says the President's "instinct to punish, not help, countries whose people leave is the wrong prescription for a mounting problem at the border."

**Heritage's Inserra: Administration Should Focus On Legal Loopholes, Not Wall.** David Inserra of the Heritage Foundation's Allison Center for Foreign and National Security writes in the [Wall Street Journal](#) (3/10, Subscription Publication, 7.24M) that a border wall will not help with the crisis, and says the larger issue are the loopholes in immigration law and asylum policy.

### **Some Arizona Ranchers Who Backed Trump "Now Have Doubts" About Border Policy. (LAT)**

The [Los Angeles Times](#) (3/10, Hennessy-Fiske, 4.33M) reports under the headline "Arizona Ranchers Who Supported Trump Wall Now Have Doubts About Border Plans" that some border ranchers who voted for President Trump "say his 'big, beautiful' wall won't work without first improving how the Border Patrol monitors existing barriers." The President "sent active-duty U.S. troops to the border, and worked with governors to send National Guard troops, but the guardsmen he's seen are not armed like they were under President Obama," an "irony [that] is not lost" on one rancher who expressed skepticism about the wall.

### **Official English Advocates Press Trump To End Mandatory Translation Rules. (WT)**

The [Washington Times](#) (3/10, Varney, 645K) reports that since a 2000 executive order by then-President Clinton, the federal government "has operated under mandatory translation rules for its documents and services." The Times there is "no telling how much money the government could save" if it ended the practice, and backers of making English the nation's sole official language are

pressing President Trump to “do it with the stroke of a pen.”

### **NYTimes Profiles Laredo, Texas Journalist Villarreal. (NYT)**

The [New York Times](#) (3/10, Romero, 17.76M) profiles Priscilla Villarreal, “a 10th-grade dropout with a shaved head, an abundance of tattoos and an impassioned 119,000-strong following on Facebook” where she reports on conditions along the US-Mexico border. The Times says she “is arguably the most influential journalist” in Laredo, Texas, and her “swift rise to prominence reflects how many people on the border now prefer to get their news – and just maybe, provides a glimpse at the future of journalism.” The former laborer “embarked on a second career in muckraking in 2015” and “has held local officials accountable.”

### **Administration Considers Using Social Media To Identify Fraudulent Disability Claims. (NYT)**

The [New York Times](#) (3/10, Pear, 17.76M) reports the Administration “has been quietly working on a proposal to use social media such as Facebook and Twitter to help identify people who claim Social Security disability benefits without actually being disabled.” Social Security said in its budget request to Congress last year that “it would study whether to expand the use of social media networks in disability determinations” in order to “increase program integrity and expedite the identification of fraud.” According to “administration officials,” since then, the White House “has been actively working with Social Security to flesh out the proposal, in the belief that social media could be a treasure trove of information about people who are applying for or receiving disability benefits.”

### **USA Today Analysis: Facts Do Not Persuade Anti-Vaxxers, But Empathy May. (USAT)**

An analysis in [USA Today](#) (3/10, Dastagir, 13.11M) states, “Vaccine hesitancy, defined as the reluctance or refusal to be vaccinated or to vaccinate your children, has been identified by the World Health Organization as one of the top ten global health threats of 2019.” USA Today notes that “measles was declared eliminated from the United States in 2000, but now just from January 1 to February 28, 2019, 206 cases of measles have been confirmed in 11 U.S. states, according to the Centers for Disease Control and Prevention.” The article discusses social-scientific research that suggests that anti-vaxxers are more likely to be persuaded by empathetic arguments from trusted friends and doctors.

### **WPost: New Rule Affecting Title X Hurts Women. (WP, WSJ)**

The [Washington Post](#) (3/10, 15.31M) editorializes, “A rule announced by the Department of Health and Human Services and published Feb. 25 in the Federal Register would make organizations that provide or refer patients for abortions ineligible to receive funds under Title X” and would enact “onerous requirements for separation of facilities, personnel, and medical and financial records.” The editorial states that as a result of the new rule, Planned Parenthood said it would be unable to continue, and the Post suggests that alternative programs favored by faith groups would be “far less reliable.”

**Sasse, Meghan McCain Say Democrats Have Moved To Extremes On Abortion.** In an op-ed for the [Wall Street Journal](#) (3/10, Subscription Publication, 7.24M), Sen. Ben Sasse (R-NE) and Meghan McCain argue that, while Democrats use to advocate for access to abortion that was “safe, legal and rare,” the party has now been seized by the extreme activists of the abortion industry, who view abortion not as regrettable, but as a moral good. Recent debates at the state level (especially New York and Virginia) and the federal level have seen abortion activists on the offensive, advocating infanticide, which the majority of Americans – even pro-choice Americans – reject. McCain and Sasse say the recent Senate vote to was missed chance to defend the lives of the vulnerable.

### **Chicago Woman Charged With Shooting Police Officer. (CHIT)**

The [Chicago Tribune](#) (3/10, Cherney, Leone, Lee, 2.78M) reports a Cook County judge denied bail Sunday to Emily Petronella, 19, who is charged with first-degree murder for allegedly shooting a Chicago Police officer through a back door as the officer was serving a warrant. The officer was serving Petronella “with what Chicago police Superintendent Eddie Johnson described as a ‘typical’ search warrant for ‘narcotics and illegal weapons.’” The officer was rushed to Stronger Hospital, and as of Sunday, “he was recovering in the intensive care unit.” Petronella is also facing “felony charges of aggravated assault of a peace officer with a weapon, armed violence while discharging a weapon, aggravated discharge of a weapon at a peace officer and manufacturing and delivery of more than 5,000 grams of cannabis, as well as violation of bail bond.”

### **Minnesota Police Shootings Face Renewed Scrutiny By State Leaders. (MINNST)**

The [Minneapolis Star Tribune](#) (3/10, Montemayor, 1.11M) reports Minnesota’s Department of Public Safety Commissioner John Harrington “is among a growing set of law enforcement leaders now studying new approaches” to investigations of officers who use deadly force. Some state lawmakers are “again calling for creating a special prosecution board that would take police shooting investigations out of the hands of county attorneys.” The discussion comes less than a month before “the Hennepin County murder and manslaughter trial of former Minneapolis police officer Mohamed Noor in the shooting of Justine Ruszczyk Damond.” State Attorney General Keith Ellison said, “I think that I’m in a good position to be part of this dialogue because I do appreciate the community perspectives, but I’m a prosecutor and so I have a prosecutive perspective and



I'm also working with law enforcement."

### **Booker Makes Case For "Next Step Act." (WP)**

In an op-ed for the [Washington Post](#) (3/10, 15.31M), Sen. Cory Booker (D-NJ) writes that while the First Step Act made "thousands of Americans who were sentenced under unjust guidelines...eligible for immediate freedom," the "momentous" law is "just what its name suggests: one step on a long road toward fixing this broken system." Booker adds that "far too many Americans" are "unjustly stuck behind bars," and he has introduced the Next Step Act, which would "make serious and substantial reforms to sentencing guidelines, prison conditions, law enforcement training and re-entry efforts." Booker says the measure is "the most comprehensive, ambitious criminal justice bill to be introduced in Congress in a generation."

### **Trump: I Have Accomplished More In "First Two Years Than Any Other Administration."**

President Trump took to [Twitter](#) yesterday to write, "Despite the most hostile and corrupt media in the history of American politics, the Trump Administration has accomplished more in its first two years than any other Administration. Judges, biggest Tax & Regulation Cuts, V.A. Choice, Best Economy, Lowest Unemployment & much more!"

### **Axios: Trump Told RNC Donors That Democrats "Hate Jewish People." (AXIOS, WT, NBC, WP, MSNBC, NYT, FXNEWSN, CNN, CBS, USAT)**

[Axios](#) (3/10, Swan, 857K) reports the President, in a reference "to the recent anti-Semitism controversies" with Rep. Ilhan Omar (D-MN), said in a speech to Republican National Committee donors at Mar-a-Lago Friday, "The Democrats hate Jewish people." Trump "said he didn't understand how any Jew could vote for a Democrat these days" and "talked about how much he'd done for Israel, noting his historic decision to move the U.S. Embassy in Israel to Jerusalem." According to Axios, in order to prevent leaks from the event, "security guards made attendees put their cellphones in magnetized pouches that they carried around like purses until they left the club. So leakers had to rely on their memories."

**Lawmakers Weigh In On House Anti-Hate Resolution.** The [Washington Times](#) (3/10, Sherfinski, 645K) reports Rep. Liz Cheney (R-WY) said on [NBC's Meet The Press](#) (3/10, 3.89M) Sunday that last week's House resolution denouncing hate was an effort by House Democrats to protect Omar. Cheney, who "was one of about two dozen House Republicans who voted against the resolution," said, "It was really clearly an effort to actually protect Ilhan Omar, to cover up her bigotry and anti-Semitism by refusing to name her. ... I think it is absolutely shameful that [House Speaker] Nancy Pelosi and [House Majority Leader] Hoyer and the Democratic leaders will not put her name in a resolution on the floor and condemn her remarks and remove her from the House Foreign Affairs Committee."

The [Washington Post](#) (3/10, Sonmez, 15.31M) reports "one of the resolution's lead sponsors," Rep. Jamie Raskin (D-MD) "pushed back" in an interview on [MSNBC](#) (3/10, 820K) Sunday afternoon. Raskin called the measure the most powerful anti-Semitism resolution in congressional history and said those who opposed it were wrong to do so. Said Raskin, "History is going to judge them very harshly for that." The [New York Times](#) (3/10, Thrush, Stolberg, 17.76M) says the resolution "seemed to satisfy no one." The "wrenching intraparty fight left unanswered a question that transcends partisan politics: In an era of shouting and provocation, how should Congress respond when its members say hateful or hurtful things?"

On [Fox News Sunday](#) (3/10, 1.85M), Rep. Katie Hill (D-CA) said, "First of all, it was a completely bipartisan resolution. All but 23 members of Congress, the 23 that voted against it were all Republican. It was completely supported. So it was something that if you're going to call out something that is bigoted, whether it is anti-Semitic or anything else, then we should say that all of this is unacceptable and that's what we did. That was really what the debate was about. We are going to condemn one sort of behavior, then why should we isolate it to one group. We should condemn all forms." E.J. Dionne writes in the [Washington Post](#) (3/10, 15.31M) that "you can love Israel, be critical of its current government and truly despise anti-Semitism, all at the same time. What you cannot do is play fast and loose with language that cannot help but be seen as anti-Semitic. I pray Omar now realizes this."

On [CNN's State Of The Union](#) (3/10, 801K), Rep. Will Hurd (R-TX) said, "I voted for it, because you shouldn't hate people, period, end of story. We learned that stuff in kindergarten. I think many of my colleagues were doing in voting against it was lodging their being upset about that this it was watered down, it wasn't narrow. Had Republicans done that, then the entire Democratic caucus would have gone crazy and gotten upset about that."

Sen. Elizabeth Warren (D-MA) discussed the resolution on [CBS' Face The Nation](#) (3/10, 3.43M). She said, "My view is that we condemn anti-Semitism and Islamophobia wherever it appears. We are a democracy. And in a democracy, we have to talk about our differences. We need to do so with respect, but ultimately, we need to hammer out the best policies for this country, and that means a lot of frank and full discussion."

Julián Castro, a 2020 Democratic presidential candidate, said on [CNN's State Of The Union](#) (3/10, 801K). Castro said, "I think the vast majority of people in the Democratic Party recognize that anti-Semitism in the United States and also in places like Europe has been on the rise and we need to combat that. I think also probably that this was impacted by the fact that Rep. Omar apologized for this, and said she should have said that differently. My hope is that, you know, apart from this resolution, that we're going to take action in this country to make sure that anti-Semitism and other types of bigotry are not given sustenance, and we have to recognize that we



have a President, who is dividing Americans along a lot of these lines. I would like to see us united in trying to offer a different, more positive and inclusive vision for the future of this country."

**Pirro Suggests Omar Wearing Hijab Is "Antithetical" To The Constitution.** [USA Today](#) (3/10, Cummings, 13.11M) reports Fox News host Jeanine Pirro on Saturday questioned whether Omar's "use of a hijab, a head covering traditionally worn by Muslim women, signaled that she held beliefs that are 'antithetical' to the Constitution." During her opening statement on her show, Pirro said, "Think about this: She's not getting this anti-Israel sentiment doctrine from the Democrat Party. So if it's not rooted in the party, where is she getting it from? ... Think about it. Omar wears a hijab, which according to the Quran 33:59, tells women to cover so they won't get molested. Is her adherence to this Islamic doctrine indicative of her adherence to Sharia law, which in itself is antithetical to the United States Constitution?" The comments "drew condemnation on social media."

**Minnesota Somalis, Jews Express Pain, Confusion Over Omar Comments.** The [Washington Post](#) (3/10, Viebeck, 15.31M) reports that Jews and Somali immigrants in Minnesota's Twin Cities "have been partners for decades," but in the wake of Omar's comments, "leaders on both sides voiced pain and confusion, fearing that the comments could damage an alliance they have spent years trying to nurture." Somali community activist Omar Jamal "said he is in touch with local Jewish leaders about how the two sides can reaffirm their solidarity at a moment of crisis. He said that he supported Omar's congressional campaign but that her comments are 'wrong, period.'"

**Schiff: It's A "Mistake" For Mueller Not To Interview Trump. (BLOOM, NBC, WP, HILL, POLITICO, WASHEX, FOX, CBS, WT, CALLER, BREITBART)**

[Bloomberg](#) (3/10, Niquette, 4.73M) reports House Intelligence Chairman Adam Schiff told [NBC's Meet The Press](#) (3/10, 3.89M) on Sunday that it would be a mistake for Special Counsel Robert Mueller not to subpoena President Trump to appear before a grand jury in the investigation of Russian interference in the 2016 election. Said Schiff, "I do think ultimately it's a mistake because probably the best way to get the truth would be to put the President under oath. ... Because as he's made plain in the past, he feels it's perfectly fine to lie to the public."

The [Washington Post](#) (3/10, Demirjian, 15.31M) reports Schiff "acknowledged that it might be expedient for Mueller to avoid subpoenaing Trump's testimony because the president could fight it and Mueller's new boss," Attorney General Barr, "might oppose such a move." [The Hill](#) (3/10, Burke, 3.58M) quotes Schiff as saying, "I also think that the special counsel feels some time pressure to conclude his work, and knowing that the White House would drag out a fight over the subpoena, that may be an issue as well."

[Politico](#) (3/10, Weaver, 3.61M) reports Schiff said "that it's equally important to be able to ask follow-up questions in real-time." The [Washington Examiner](#) (3/10, Halaschak, 407K), among other outlets, also reports Schiff's comments.

Meanwhile, Sen. John Barrasso (R-WY), on [Fox News' Sunday Morning Futures](#) (3/10, 1.44M), said, "This has gone on too long. It is time to get the report. I think the American people deserve transparency. We've heard from Attorney General Barr in his testimony to Congress that he plans to do everything he can to make sure the American public sees what's in it. It's time to get it done. This has been going on way too long. It's time to move on."

**Schiff: Cohen's Lies About Moscow Trump Tower Raise Questions.** The [CBS Weekend News](#) (3/10, story 4, 1:05, Quijano, 4.09M) reported on Sunday, Schiff "said Michael Cohen's lies about Trump Tower Moscow have raised questions about President Trump's intentions for the project." Schiff said on [NBC's Meet The Press](#) (3/10, 3.89M), "He may believe that when he leaves office, that he still wants to build this tower. And while that may not be criminal, it is nonetheless corrupt."

**Hill: Cohen Likely To Face DOJ Perjury Probe.** [Fox News](#) (3/10, Re, 21.12M) reports on its website that Rep. Katie Hill (D-CA) told Fox News Sunday that she believes House Oversight and Reform Chairman Elijah Cummings will "end up referring" former Trump attorney Michael Cohen to the Department of Justice for a perjury investigation, "after numerous contradictions and inconsistencies have surfaced" in his testimony last month. Said Hill, "I don't know if he lied or not. ... Chairman Cummings is incredibly deliberate. I know that he's reviewing the entire testimony."

**Schiff: Erik Prince Interview Doesn't Match House Testimony.** The [Washington Times](#) (3/10, Sherfinski, 645K) reports Schiff also said Sunday that former Blackwater CEO Erik Prince "did not disclose a meeting he attended at Trump Tower during the presidential campaign in his testimony to the committee – contrary to recent comments from Mr. Prince" in an interview with Al Jazeera. Said Schiff, "He's certainly not telling the truth in that interview. He did not disclose that meeting to our committee." Schiff added, "[Special counsel] Bob Mueller has that testimony already, and Bob Mueller will have to make the decision about whether that rises to the level of deliberate falsehood."

**ABC's Moran: Media, Democrats Face "Reckoning" If Mueller Finds No Collusion.** The [Daily Caller](#) (3/10, Ross, 676K) reports ABC's Terry Moran argued in a panel discussion Sunday that "Democrats and the media will face a 'reckoning' if special counsel Robert Mueller finds no evidence of collusion involving the Trump campaign." Appearing on ABC's This Week, Moran said, "The central and most serious question in this investigation, the reason Robert Mueller started it: Did the current President of the United States assist the Kremlin in an attack on our democracy? And if Mueller, after two years, comes back and says, 'I don't have the evidence to support that charge,' that's a reckoning. That's a reckoning for progressives and Democrats who

hoped that Mueller would essentially erase the 2016 election. It's a reckoning for the media. It's a reckoning across the country if in fact after all this time there was no collusion."

**Trump Derides "Total Witch Hunt" Started By "Crooked Hillary," DNC.** President Trump [tweeted](#) Sunday, "'There's not one shred of evidence that President Trump has done anything wrong.' @GrahamLedger One America News. So true, a total Witch Hunt – All started illegally by Crooked Hillary Clinton, the DNC and others!"

**WTimes Analysis: Democrats Lose Interest In Conspiracy Linking Trump To Russia's Alfa Bank.** The [Washington Times](#) (3/10, Scarborough, 645K) reports that "amid all the Trump-Russia conspiracy stories – such as prostitutes in Moscow, a secret trip to Prague and hush money to computer hackers – Democrats seem to have lost interest in at least one of them." The Times says that the "past two weeks of Michael Cohen's public testimony and the House Judiciary Committee's demands for documents contained no inquires about the elusive Trump computer server. The machine supposedly linked Trump Tower directly to Russia's largest commercial bank, Alfa, and its oligarch partners."

**McCabe "Shocked" By Manafort Sentence.** [Politico](#) (3/10, Weaver, 3.61M) reports former FBI deputy director Andrew McCabe said Sunday that he was surprised by the "incredibly lenient" sentence received by former Trump campaign chairman Paul Manafort. Appearing on [CBS' Face The Nation](#) (3/10, 2.31M), McCabe said, "I think it's an incredibly lenient sentence in light not just of the offenses he was convicted for but for the additional offenses that he has pleaded guilty to in D.C. and the offenses he's acknowledged essentially in the sentencing process in Virginia that he is responsible for. So, like most people, I was shocked by how lenient the sentence was."

Sen. John Kennedy (R-LA) said on [CBS' Face The Nation](#) (3/10, 2.31M), "Number one, I was surprised at his sentence. I thought it would be longer. Number two, as I said in the past, Mr. Manafort is a grifter. He used to be partner with Roger Stone. I'm sorry, he's just a sleazoid. He's always played at the margins."

Mo Elleithee of Georgetown University's Institute of Politics and Public Service said on [Fox News' MediaBuzz](#) (3/10, 1.29M), "It was a stark departure from the sentencing guidelines. So, I think that caught a lot of people off guard. Secondly, I heard an increasing number of commentators broaden this conversation a bit and say this is really interesting because there are people, people of color, people who are less well off who have been convicted of crimes that were far less and received bigger sentences, and maybe there is some inequity in how sentences are handed down."

**Trump Shares Tweet Calling For Clinton To Be Questioned About Steele Dossier.** President Trump on Sunday [retweeted](#) a tweet by Judicial Watch President Tom Fitton, who wrote, "The real collusion scandal... why haven't Hillary Clinton and her lawyers been questioned about their collusion with Fusion GPS/Russia/DOJ/FBI to get @realDonaldTrump. Great interview with @MariaBartirolo this am."

**FBF Gave \$2M To Group Working With Fusion GPS, Steele.** The [Daily Caller](#) (3/10, Ross, 676K) reports that a "dark money group based in California contributed \$2 million to The Democracy Integrity Project, the organization that has contracted with Fusion GPS and Christopher Steele" to investigate President Trump. Fund for a Better Future (FBF) "donated \$2,065,000 to The Democracy Integrity Project (TDIP) in 2017."

**Steve Cohen: "Trump Is A Cancer On The Country."** [Breitbart](#) (3/10, Key, 1.19M) reports that on MSNBC on Sunday, Rep. Steve Cohen (D-TN) said President Trump is a "cancer on the country." Said Cohen, "Trump is a con man. Michael Cohen said he is a con man, a liar, and a racist. He is a con man. He is a liar, and he is a racist. He has lied about everything that goes down. He continues to lie. That's why he's attacked this Mueller investigation, the Justice Department, the FBI, judges that didn't rule in his manner and way in the Trump University lawsuit. The man is a walking lie."

### **Ocasio-Cortez: Where We Are As Americans Is "Garbage." (CALLER, HILL, THEVERGE, NYPOST)**

The [Daily Caller](#) (3/10, Kruta, 676K) reports Rep. Alexandria Ocasio-Cortez (D-NY) said during an appearance at the South by Southwest Conference & Festivals that "where we are" as Americans is "garbage." In a conversation with The Intercept's senior politics editor Briahna Gray, Ocasio-Cortez said, "What's really hard for people to sometimes see is that we are on this path of a slow erosion, and a slow slow slow just like – move away from what we've always been. ... You won't even realize that you've drifted a hundred miles." Ocasio-Cortez "appeared to suggest that her Democratic Socialist policies represent core American values, arguing that we had just strayed so far from them that we couldn't recognize them anymore." She said, "So when someone's talking about 'our core,' they're like, 'oh, this is radical,' but it isn't radical. This is what we've always been. ... I think all of these things sound radical compared to where we are."

[The Hill](#) (3/10, Burke, 3.58M) says Ocasio-Cortez said that "we should not be haunted by" the prospect of automated workers replacing jobs. Rather, she argued, "We should be excited by that. But the reason we're not excited by it is because we live in a society where if you don't have a job, you are left to die. And that is, at its core, our problem." [The Verge](#) (3/10, Robertson, 2.05M) quotes Ocasio-Cortez as saying, "We should be excited about automation, because what it could potentially mean is more time educating ourselves, more time creating art, more time investing in and investigating the sciences, more time focused on invention, more time going to space, more time enjoying the world that we live in. ... Because not all creativity needs to be bonded by wage."

The [New York Post](#) (3/10, Moore, 5.69M) reports the freshman lawmaker also “slammed President Franklin Roosevelt’s New Deal” as “racist policy,” and “argued that the policies of President Ronald Reagan ‘pitted’ the white working class against African-Americans and Hispanics.” Ocasio-Cortez said, “The New Deal was an extremely economically racist policy that drew little red lines around black and brown communities and it invested in white America.” Of Reagan’s policies, she said, “So you think about this image of welfare queens and what he was really trying to talk about was ... this like really resentful vision of essentially black women who were doing nothing, that were ‘sucks’ on our country. ... It gives people a logical reason, a ‘logical’ reason to say, ‘oh yeah, no, toss out the whole social safety net.’”

#### **Harris Poll: Generation Z, Millennials Have More Positive View Of “Socialism.” (AXIOS)**

[Axios](#) (3/10, Kight, 857K) reports that according to new Harris Poll, “Generation Z has a more positive view of the word ‘socialism’ than previous generations, and – along with Millennials – are more likely to embrace socialistic policies and principles than past generations.” Axios says the term “socialism” no longer carries “the same stigma it did in the past, now that it has been resurrected by celebrity politicians” like Sen. Bernie Sanders (I-VT) and Rep. Alexandria Ocasio-Cortez (D-NY).

#### **CBS’ Stahl: ACLU Has Found New Power In Trump Era. (CBS)**

Lesley Stahl reported on [CBS’ 60 Minutes](#) (3/10, 10.41M) the ACLU “has been a thorn in the side of government for the nearly 100 years, since it was created. With its unflinching devotion to the Bill of Rights, it has angered just about everyone by representing violent criminals, communists, and famously, in Skokie, Illinois, neo-Nazis, always insisting that if rights don’t apply to everyone, they apply to no one. ... But in the Trump era, that thorn in the side of power has found new power, and you’ll be surprised at the direction it’s taking.” The rest of the story can be seen [here](#).

#### **Search Intensifies For Missing Marine In Sierra Mountains. (ABC)**

[ABC World News Tonight](#) (3/10, story 11, 0:20, Llamas, 6.4M) reported the search for Marine Lieutenant Matthew Craft, who has gone missing during a ski trip in the Sierra Mountains, is “intensifying by air now. Rescue teams on the ground had to turn back due to avalanche concerns.” Craft was due home on March 4, but never returned.

#### **WPost Analysis: Trump’s “Behemoth” Reelection Campaign Has 2016 Populist Themes. (WP)**

The [Washington Post](#) (3/10, Dawsey, 15.31M) reports President Trump and his advisers are launching “a behemoth 2020 campaign operation combining his raw populist message from 2016 with a massive data-gathering and get-out-the-vote push aimed at dwarfing any previous presidential reelection effort, according to campaign advisers, White House aides, Republican officials and others briefed on the emerging strategy.” Trump’s advisers “also believe the Democratic Party’s recent shift to the left on a host of issues, from the push for Medicare-for-all to a proposed Green New Deal, will help the president and other Republicans focus on a Trumpian message of strong economic growth, nationalist border restrictions and ‘America First’ trade policies.” The Post, however, says the President’s strategy “relies on a risky and relatively narrow path for victory, hinged on demonizing Trump’s eventual opponent and juicing turnout among his most avid supporters in Florida, Pennsylvania and the Upper Midwest.”

#### **Trump Campaign Adviser Pierson Responds To Diversity Question With Lincoln Comparison. (NYPOST)**

The [New York Post](#) (3/10, Moore, 5.69M) reports, “Katrina Pierson, an adviser to President Trump’s 2020 campaign, deflected a question about diversity in the White House by asking how many black people served in the Lincoln administration.” Appearing on MSNBC’s Politics Nation on Saturday, she said, “I’m not going to participate in the attempt to make this all about race. It is ridiculous. How many black people were in Abraham Lincoln’s West Wing?” The Post says the exchange came when host Al Sharpton “asked her how many African-American people work inside the White House during a discussion about reparations and Pierson, who is black, took exception.”

#### **Iowa Poll: Biden Leads Democrats; Sanders Close Behind. (DMR, NYT, POLITICO)**

The [Des Moines \(IA\) Register](#) (3/10, Pfannenstiel, 416K) reports former Vice President Joe Biden “has yet to enter the 2020 presidential race,” but he “still leads the pack in Iowa.” According to a new Des Moines Register/CNN/Mediacom Iowa Poll of likely Democratic caucusgoers, “27 percent say Biden is their first choice for president. That’s down slightly from the 32 percent who said the same in December, but it tops the 19 other declared and potential candidates tested.” Biden has a two-point advantage over Sen. Bernie Sanders (I-VT). Sen. Elizabeth Warren (D-MA) was third at 9%, followed by Sen. Kamala Harris (D-CA) at 7%.

The [New York Times](#) (3/10, Herndon, 17.76M) reports that “poll numbers have fallen sharply, however, for the other major holdout: former Representative Beto O’Rourke,” who “could announce his candidacy in the coming weeks. Only 5 percent of likely caucusgoers now call him their first choice for president – down from 11 percent in December.” O’Rourke was followed by Sens. Cory Booker (D-NJ) and Amy Klobuchar (D-MN) at 3% each; no other candidate topped one percent.

**Conservative Group To Release Ad Targeting O'Rourke In Iowa.** [Politico](#) (3/10, Isenstadt, 3.61M) reports that "prominent conservative group" Club for Growth is "thrusting itself into the Democratic primary with a TV ad assailing Beto O'Rourke – a move that comes as Republicans consider a broader campaign to meddle in the opposing party's contest to take on President Donald Trump." The group is "expected to begin airing a two-minute commercial in Iowa this week aimed at dampening liberal support for O'Rourke, who's expected to enter the race any day."

#### **Democratic Presidential Candidates Address SXSW Conference. (CBS, WSJ)**

The [CBS Weekend News](#) (3/10, story 3, 1:30, Quijano, 4.09M) reported, "Several Democrats hoping to carry the party's flag into the next presidential election tested their ideas this weekend at the SXSW festival in Austin, Texas." CBS (Morgan) added, "At least ten Democrats and Republicans who want to be president came to the Texas state capital this weekend," but "it was one other potential contender who still looms over the field: former Vice President Joe Biden," who is "expected to launch his presidential campaign next month." Aides told CBS that "Biden will be putting the finishing touches on his campaign team and strategy, and he's set to make public appearances this coming week in Washington and his home base of Delaware."

**Carville, Messina: To Beat Trump In 2020, Win The Economic Narrative.** In an op-ed for the [Wall Street Journal](#) (3/10, Subscription Publication, 7.24M), former Democratic campaign managers James Carville and Jim Messina argue that Democrats can oust Trump in 2020 by winning the economic narrative and appealing to both core supporters and the swing voters that carried Trump in Pennsylvania, Wisconsin, and Michigan.

#### **Sanders Tours New Hampshire In First Visit As 2020 Candidate. (WP)**

The [Washington Post](#) (3/10, Linskey, 15.31M) reports Sen. Bernie Sanders (I-VT) "swept through New Hampshire on Sunday, making his first stops as a 2020 presidential candidate in the state that established him as a force in Democratic politics in 2016 – and could play an outsize role in his ambitions next year." His two rallies on Sunday "were throwbacks to the events he became known for in 2016," and, according to the Post, Sanders "hopes to recapture that spirit, and those votes, in his second presidential bid."

#### **Warren: "Just Wrong" To Label Me A Socialist. (WT, CBS)**

The [Washington Times](#) (3/10, Sherfinski, 645K) reports presidential candidate Sen. Elizabeth Warren (D-MA) said Sunday it would be "just wrong" to label her a socialist and she believes in "markets that work." Appearing on CBS' [Face The Nation](#), Warren said, "I believe in markets. Markets that work. Markets that have a cop on the beat and have real rules and everybody follows them." She said she believes in a "level playing field. And as long as we've got that then we will get the best out of markets because it means the people who come up with great ideas, who work hard are the ones who will prosper, not simply those who were born into wealth."

**Hickenlooper Pans Socialist Labels.** Democratic presidential candidate John Hickenlooper said on [CBS' Face The Nation](#) (3/10, 3.43M), "We define people with these labels that often have all kinds of associations and baggage with them in that sense. ... I'm happy to say I'm a capitalist, but I think at a certain point the labels do nothing but divide us. What I'm trying build this campaign around is to say that as a country, we've got to stop finding every excuse to divide ourselves."

#### **Julián Castro: I Am "The Antithesis Of Donald Trump." (MSNBC, CNN, WASHEX)**

Democratic presidential candidate Julián Castro said on [MSNBC's Politics Nation](#) (3/9, 657K), "I see myself as the antithesis of Donald Trump. He is trying to tear this nation apart. He has been the most divisive President that we've had in quite a while. I'd like to bring the country together. I've demonstrated integrity and honesty in my public service versus the corruption that we have seen in this Administration. I want to be a president for all Americans and not just a president for 37 percent that he sees as his base. I'm fundamentally focused on the future. I don't want to make this country anything again, I want to make our country better than ever for all Americans."

**Castro Optimistic Favorability Will Improve.** Castro, on [CNN's State Of The Union](#) (3/10, 801K), discussed how he plans to improve his favorability ratings. He said, "My favorability, the last month and a half, went up by six points. I'm articulating a strong vision to make this country the smartest, the healthiest, the fairest, and the most prosperous nation on earth. I can tell that as I spend time in Iowa I'm going to gain traction. As you know, if we look at any presidential cycle, oftentimes it's people who have started off at 3 percent, 1 percent, 2 percent, including Donald Trump, that can win the nomination. So it is a long road, a long journey."

**Castro: Sanders Hypocritical For Balking At "Big Check" For Reparations.** The [Washington Examiner](#) (3/10, Halaschak, 407K) reports Castro "suggested Sunday fellow primary contender" Sen. Bernie Sanders (I-VT) "was hypocritical for his comments on reparations." Castro, speaking on [CNN's State Of The Union](#) (3/10, 801K), said Sanders supports writing "big checks" for a number of issues, "but found it unusual that Sanders hasn't spoken in support of compensating the descendants of slaves." Said Castro, "It's interesting to me that when it comes to 'Medicare for All,' healthcare, you know, the response there has been we need to write a big check. ... So, if the issue is compensating the descendants of slaves, I don't think the argument about writing a big check ought to be the argument that you make if you're making an argument that a big check needs to be written for a whole bunch of other stuff."



### **Inslee Emphasizes Climate Change In Presidential Run. (CNN)**

Presidential candidate Gov. Jay Inslee (D-WA), on [CNN's State Of The Union](#) (3/10, 801K), discussed why climate change is central to his campaign. Said Inslee, "We are the first generation to feel the sting of climate change and we're the last generation that can do something about. We have one shot, that's the next administration. The world is on fire. We have to act. Second, if you care about climate change you're not alone. A poll came out saying it's the top priority tied with health care. The third is this is not a single issue. If you care about the economy, the economy is being ravaged by climate change. I've been on a tour looking at the job creation going on, solar power in Iowa, batteries in Nevada, wind power in Washington, so I've been looking at what a tremendous job-creating opportunity it is. It's also a national security issue."

### **Baier: DNC Decision To Bar Fox News From Debates "Really Disappointing." (FOX)**

Fox News anchor Bret Baier was asked on [Fox News' MediaBuzz](#) (3/10, 1.29M) about the DNC's decision not to allow Fox News to host a 2020 primary debate. Baier said, "I understand what the DNC is saying, but it's really disappointing that they came to this conclusion considering the fact that after three cycles of really trying to get back a Democratic debate – we have done them before – I thought this was the year. I'm not surprised by this decision. I do feel like 'The New Yorker' is just a fig leaf. It's basically what they wanted to have happen. It just got them there. It's unfortunate."

### **WTimes Analysis: Graham's "Embrace Of Trump" Spurs Democrats' Hopes To Unseat Senator. (WT)**

The [Washington Times](#) (3/10, McLaughlin, 645K) reports the emergence of Sen. Lindsey Graham (R-SC) "as President Trump's horse whisperer has likely helped cement his position among South Carolina Republicans – but Democrats say it's created an opening for them to take his seat in 2020." The Times says it "would be a stunning upset in a solidly red state," but "Democrats say the senator appears to be grasping at Mr. Trump's coattails in a bid for attention that has undercut his reputation as a maverick and could potentially cost him the support of crossover Democrats and middle-of-the-road independents."

### **RCP Average Has Trump's Job Approval At 43.5%.**

The [Real Clear Politics](#) average of recent polling on President Trump's job approval stands at 43.5%, and his disapproval at 53.3%. The President's approval and disapproval are unchanged since yesterday.

A [Rasmussen](#) poll of 1,500 "likely voters" (3/5-3/7) finds Trump's approval at 50%, with 49% disapproving.

## **THE BIG PICTURE**

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### **Headlines From Today's Front Pages.**

#### **Wall Street Journal:**

[Trump To Request \\$8.6 Billion For Border Wall In 2020 Budget](#)  
[How Big Tech Has Powered Global Stocks](#)  
[Cannabis Drinks Confront A Serious Buzz Kill – They Taste Terrible](#)  
[How A Russian Gas Pipeline Is Driving A Wedge Between The U.S. And Its Allies](#)

#### **New York Times:**

[Trump's Halo Lifts Fortunes Of Netanyahu](#)  
[U.S. Accelerates Shadowy Battle Against Shabab](#)  
[Ethiopia Crash Raises Scrutiny On Boeing Jet](#)  
[When Museums Give Up Their Buried Treasures](#)  
[Maduro Burned Aid? Footage Shows Otherwise](#)

#### **Washington Post:**

[Omar's Words Sting In Her Home State](#)  
[Ethiopian Airlines Crash Kills All 157 Aboard](#)  
[Latest Crash Likely To Increase Concerns About Boeing Jet](#)  
[Billions More Sought For Wall](#)  
[Banks Bow To Backlash Over U.S. Detentions](#)  
[Trump's 2020 Game Plan: Familiar Ideas, Fresh Tech](#)

#### **Financial Times:**

[Deutsche Bank Explores Commerzbank Merger](#)  
[Shell And Siemens Join Charge In Home Power Storage](#)  
[BoE Tightens Bank Liquidity Buffers Before Brexit](#)

#### **Washington Times:**

['Press 2 For Spanish' Costs U.S. Billions](#)  
[Small Charges To Stop Terrorism Put U.S. On Brink Of Thought Crime](#)  
[N. Korean Moves Stir No Trump Pessimism](#)  
[Democrats Lose Interest In Server Linking Trump, Russia](#)  
[Decree For Digital Data A 'Direct Hit' To Privacy](#)



**Story Lineup From Last Night's Network News:**

**ABC:** Ethiopia-Plane Crash; JFK Airport-Emergency Landing; Severe Weather-Tornadoes; Weather Report; Arizona-Woman Clawed By Jaguar At Zoo; Venezuela-Blackout; Trump-Border Wall; ISIS-Final Push; South Africa-Diver Swallowed By Whale; Sweden-City Bust Explosion; Missing Marine In Sierra Mountains; Paraglider Hangs For Life On Cliff; Aston Villa Player Attacked By Fan; California-School Resource Officer Helps Special Needs Child.

**CBS:** Ethiopia-Plane Crash; JFK Airport-Emergency Landing; Election 2020; Trump-Michael Cohen; Trump-Border Wall; Arizona-Woman Clawed By Jaguar At Zoo; R. Kelly-New Allegations; Syria-Destruction; Zika Virus; Meeting Between Vatican And Mormon Leaders; California-Race Track Shut Down; Lake Erie-Ice Fishing Danger; Boy Scouts Of America Changes.

**NBC:** Ethiopia-Plane Crash; Boeing 737-Concerns; Severe Weather-Tornadoes; Central African Republic-Child Soldiers; UNICEF-CAR Donations; Arizona-Woman Clawed By Jaguar At Zoo; New York-Senior Swim Group.

**Network TV At A Glance:**

Ethiopia-Plane Crash – 7 minutes, 10 seconds

**Story Lineup From This Morning's Radio News Broadcasts:**

**ABC:** Trump-Border Wall; North Korea-Missile Activity; Malaysia Drops Charges Against Woman For Murder Of Kim Jong-un's Half Brother; China Grounds Boeing 737 Planes; Ethiopia-Plane Crash.

**CBS:** Ethiopia-Plane Crash; Arizona-Woman Clawed By Jaguar At Zoo; R. Kelly-New Allegations; Trump-Border Wall; Rising Gas Prices.

**FOX:** China Grounds Boeing 737 Planes; Ethiopia-Plane Crash; Malaysia Drops Charges Against Woman For Murder Of Kim Jong-un's Half Brother; Trump-Border Wall; West Virginia-Widow Of Miner Settles Lawsuit Over 2010 Explosion.

**NPR:** China Grounds Boeing 737 Planes; Ethiopia-Plane Crash; Palestine-New Government; Election 2020; South By Southwest Festival.

**D.C. SCHEDULE****Today's Events In Washington.****White House:**

- President Trump — President Trump's FY'20 budget proposal released; has lunch with the Vice President; receives his intelligence briefing.
- Vice President Pence — has lunch with THE PRESIDENT; participates in a bilateral meeting with the King of the Hashemite Kingdom of Jordan.

**US Senate:**

- Senate aims to end debate on judicial nominee – Senate convenes and proceeds to executive session to resume consideration of the nomination of Paul Matey to be U.S. Circuit Judge for the Third Circuit, with agenda including vote on a motion to invoke cloture on the nomination  
*Location: U.S. Capitol, Washington, DC; 3:00 PM*
- Senate Homeland Security Committee Business Meeting – Business Meeting, with agenda including nominations of Ronald Vitiello to be Assistant Secretary of Homeland Security for Immigration and Customs Enforcement; and Dr Joseph Cuffari to be Department of Homeland Security Inspector General  
*Location: S-216. U.S. Capitol, Washington, DC; 5:40 PM*

**US House:**

- President Trump's FY'20 budget proposal released – President Donald Trump's Fiscal Year 2020 budget proposal, first phase, delivered to Congress \* Proposal reportedly includes 5% cut in discretionary spending – with much larger cuts in some areas, including the Department of Energy Office of Energy Efficiency and Renewable Energy – allied to increased defense spending featuring use of Overseas Contingency Operations funds to avoid automatic budget caps \* The second phase, including the 'Budget Appendix, Analytical Perspectives and Major Savings and Reforms', is released 18 Mar  
*Location: Government Printing Office, 710 North Capitol St NW, Washington, DC; 11:30 AM*
- House of Representatives meets for legislative business  
*Location: U.S. Capitol, Washington, DC; 2:00 PM*
- House Rules Committee hearing – Hearing on 'H. Con. Res. 24 – Expressing the sense of Congress that the report of Special Counsel Mueller should be made available to the public and to Congress'  
*Location: H-313, U.S. Capitol, Washington, DC; 5:00 PM*

**Cabinet Officers:**

- National Council of State Housing Agencies Legislative Conference – National Council of State Housing Agencies Legislative Conference. Day one speakers include Secretary of Housing and Urban Development Ben Carson, Republican Rep. Steve Stivers, and California Housing Finance Agency Executive Director Tia Boatman Patterson  
*Location: Hyatt Regency Washington on Capitol Hill, 400 New Jersey Ave NW, Washington,*

DC; 7:15 AM

- League of American Bicyclists National Bike Summit continues – 2019 League of American Bicyclists National Bike Summit, themed 'SHIFT: Accelerating the Movement to Build a Bicycle Friendly America for Everyone,' continues, with speakers today including Secretary of Transportation Elaine Chao and American Association of State Highway and Transportation Officials Executive Director Jim Tymon

*Location: Hyatt Regency at Crystal City, 2799 Jefferson Davis Hwy, Arlington, VA; 8:30 AM*

- IAFF Legislative Conference continues – International Association of Fire Fighters (IAFF) Alfred K. Whitehead Legislative Conference continues, with speakers today including Secretary of Transportation Elaine Chao, Senate Minority Leader Chuck Schumer, Delaware Governor John Carney, Missouri Governor Mike Parson, House Majority Leader Steny Hoyer, Democrats Sen. Tina Smith and Reps. Robert Scott, Ami Bera, Dan Kildee and Brian Fitzpatrick, and Mayors Elizabeth Kautz (Burnsville, MN), Francis Suarez (Miami, FL), and Bill Carpenter (Brockton, MA)

*Location: Hyatt Regency Capitol Hill, Washington, DC; 9:00 AM*

**Visitors:**

- THE VICE PRESIDENT participates in a bilateral meeting with the King of the Hashemite Kingdom of Jordan

**This Town:**

- Carnegie International Nuclear Policy Conference – Carnegie International Nuclear Policy Conference (formerly the Carnegie International Nonproliferation Conference), with over 800 experts and officials from 45 countries and international organizations discussing emerging trends in nuclear nonproliferation, strategic stability, deterrence, disarmament, and nuclear energy. Day one speakers include Under Secretary of State for Arms Control and International Security Andrea Thompson, U.S. Special Representative for North Korea Stephen Biegun, and Russian Ambassador to the U.S. Anatoly Antonov

*Location: Ronald Reagan Building and International Trade Center, Washington, DC; 7:00 AM*

- National League of Cities Congressional City Conference continues – National League of Cities Congressional City Conference continues, with day two speakers including White House Senior Counselor and Assistant to the President Kellyanne Conway, Democratic Reps. Dan Kildee and Frank Pallone, National League of Cities President Karen Freeman-Wilson, and American Public Works Association President David Lawry

*Location: Washington Marriott Wardman Park, 2660 Woodley Rd NW, Washington, DC; 7:00 AM*

AM

- IIB Annual Washington Conference continues – Institute of International Bankers (IIB) Annual Washington Conference continues, with day two speakers including Securities and Exchange Commission Chairman Jay Clayton, Counselor to the Secretary of the Treasury Craig Phillips, Commodity Futures Trading Commission Chairman J. Christopher Giancarlo, National Economic Council Deputy Director Andrew Olmstead, Comptroller of the Currency Joseph Otting, Federal Deposit Insurance Corporation Chairman Jelena McWilliams, and Treasury Department General Counsel Brent McIntosh

*Location: The Ritz-Carlton, Washington DC, 1150 22nd St NW, Washington, DC; 7:30 AM*

- NCRC Annual Conference – National Community Reinvestment Coalition Annual Conference, with day one speakers including Acting Deputy Secretary of Housing and Urban Development Brian Montgomery, NCRC President and Founder John Taylor and CEO Jesse Van Tol, Journalist, Author, and Filmmaker Jose Antonio Vargas, and videotaped welcoming remarks by Federal Reserve Chair Jerome Powell (7:00 PM EDT)

*Location: Washington Hilton, 1919 Connecticut Ave NW, Washington, DC; 8:00 AM*

- Department of Health and Human Services Physician-Focused Payment Model Technical Advisory Committee meeting

*Location: Hubert H. Humphrey Building, 200 Independence Ave, SW, Washington, DC; 9:00 AM*

AM

- Symposium on 'Improving Women's Representation in Science, Engineering, and Medicine' – National Academy of Sciences symposium on 'Improving Women's Representation in Science, Engineering, and Medicine', exploring policies, practices, and strategies that have been effective in improving women's participation and success in STEM fields. Democratic Rep. / former Secretary of Health and Human Services Donna Shalala and National Institutes of Health Office of Research on Women's Health's Vivian Pinn keynote

*Location: National Academy of Sciences, 2101 Constitution Ave NW, Washington, DC; 9:00 AM*

AM

- Credit Union National Association Governmental Affairs Conference – Credit Union National Association Governmental Affairs Conference, with day one speakers including former Secretary of State John Kerry, National Federation of the Blind CEO Mark Riccobono, Inclusiv President and CEO Cathie Mahon, Fort Knox Federal Credit Union President Ray Springsteen, and Policy Works CEO Justin Hupfer

*Location: Walter E. Washington Convention Center, 801 Mt Vernon Pl NW, Washington, DC; 9:30 AM*

9:30 AM

- State Department Direct Line for American Businesses conference call on Oman – State Department Direct Line for American Businesses teleconference on 'Renewable Energy in Oman', hosted by U.S. Embassy Muscat, with introductory remarks from U.S. Ambassador to

Oman Amb. Marc Sievers, and guest speakers Andrew Rae (Oman Power and Water Procurement), Hilal Al-Ghaithi (Authority for Electricity Regulation), and Seti Gabriel (GlassPoint Solar); 10:00 AM

- President Trump's FY'20 budget proposal released – President Donald Trump's Fiscal Year 2020 budget proposal, first phase, delivered to Congress \* Proposal reportedly includes 5% cut in discretionary spending – with much larger cuts in some areas, including the Department of Energy Office of Energy Efficiency and Renewable Energy – allied to increased defense spending featuring use of Overseas Contingency Operations funds to avoid automatic budget caps \* The second phase, including the 'Budget Appendix, Analytical Perspectives and Major Savings and Reforms', is released 18 Mar

*Location: Government Printing Office, 710 North Capitol St NW, Washington, DC; 11:30 AM*

- NASA Administrator Bridenstine announces agency's Fiscal Year 2020 budget proposal – NASA Administrator Jim Bridenstine holds briefing to announce the agency's Fiscal Year 2020 budget proposal, including NASA's efforts to return to the Moon and beyond \* Also today, NASA Chief Financial Officer Jeff DeWit, and Deputy Chief Financial Officer for Strategy, Budget, and Performance Andrew Hunter brief media on the agency's FY 2020 budget proposal, via teleconference (5:00 PM EDT)

*Location: Kennedy Space Center, FL; 1:00 PM*

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FHFA Briefing

**DATE: MONDAY, MAY 20, 2019 7:15 AM EDT**

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## FHFA NEWS

### Politico Interviews Calabria About Future Of Fannie, Freddie. (POLITICO, ABABJ)

[Politico](#) (5/17, O'Donnell, 4.29M) interviewed FHFA Director Mark Calabria "about the future of Fannie Mae and Freddie Mac." Calabria noted that one of the reasons for ending conservatorship is that he "need[s] to make sure that Fannie and Freddie are in a stable place so that they can continue to serve the market if we have a downturn." According to Politico, Calabria "thinks the Financial Stability Oversight Council should consider whether to designate Fannie and Freddie as systemically important financial institutions, which would open them up to greater oversight." Politico adds, Calabria is "consulting with other regulators about taking a 'holistic' approach to leveling the playing field for future Fannie and Freddie competitors – including by changing regulations affecting banks and insurance companies." He is also "conducting key reviews of ongoing business at the agency, including the pending risk-based capital rule" as well as "evaluating whether Fannie and Freddie's mortgage insurance pilot programs, EPMI and IMAGIN, overstep the companies' charters."

The [ABA Banking Journal](#) (5/17) also made note of Calabria's interview with Politico, saying the ABA "continues to call on Congress pursue a legislative solution to housing finance reform that provides liquidity for the housing market, protects taxpayers and maintains access for community banks." Additionally, the ABA will "continue to engage with lawmakers from both parties – as well as FHFA – as plans for reform are advanced."

### Trump: Administration Exploring Alternatives To End Fannie, Freddie Conservatorship. (AMBNKR, BLOOM, ALPHA, REU, USNEWS, REALT, YAHFIN, LAT, OCR, REALDEAL, NYT)

[American Banker](#) (5/17, Subscription Publication, 31K) reported President Trump "said his administration is exploring different alternatives to end the conservatorship" of the GSEs. Speaking Friday at a NAR event, Trump said, "More than a decade after the financial crisis, Fannie Mae and Freddie Mac are still in conservatorship" and "still dominate" with "no real competition from the private sector," while "the taxpayers are still on the hook if another crisis should happen, and this is a pretty urgent problem." According to American Banker, Trump also "mentioned his March directive to the Treasury Department" and HUD that "asked the agencies to develop administrative and legislative plans for reforming the housing finance system." FHFA Director Calabria told American Banker in April, "To me, the GSEs may be able to retain earnings, may be able to build capital, but I think it will absolutely require a conversation and an agreement between the FHFA and Treasury on what are other avenues for raising capital."

[Bloomberg](#) (5/17, Weinstein, 4.73M) reported that "while there are many aspects of housing



reform that require legislation, administration officials and regulators have signaled they may take action on their own if Congress doesn't act." FHFA Director Mark Calabria "said last week that he's fine with releasing the mortgage giants from government control without lawmakers." According to Bloomberg, "In his remarks Friday, Trump said that he will work closely with Congress to pass housing legislation that 'welcomes the private sector, competition, protects taxpayers and preserves homeownership for future generations.'" But he "said his administration would also consider taking other actions on to modernize housing programs and expand affordable housing."

[Seeking Alpha](#) (5/17, Kiesche, 512K) reported Trump said the Administration has "many geniuses looking at" the GSEs, adding, "We'll figure something out."

Also reporting were [Reuters](#) (5/17, Rampton, Chiacu), [U.S. News & World Report](#) (5/17, 2.4M), [Realtor](#) (5/17, Trapasso, 25.12M), [Yahoo! Finance](#) (5/17, Weinstein), the [Los Angeles Times](#) (5/17, Bloomberg, 4.64M), the [Orange County \(CA\) Register](#) (5/17, 546K), and the [Real Deal \(NY\)](#) (5/17, 124K). The [New York Times](#) (5/17, Reuters, 18.61M) carried Reuters' brief coverage.

#### **Bradford: Craig Phillips Says The GSEs Have Already Paid Back Taxpayers. (ALPHA)**

In a [Seeking Alpha](#) (5/20, 512K) stock analysis, GSE investor Glen Bradford says Craig Phillips, soon to depart Treasury, "[says](#) that taxpayers have been paid back," since taxpayers' ROI on the bailout is now 11.5 percent, exceeding "the original 10%." Bradford says FHFA Director Calabria "said he plans to work with Treasury to end the net worth sweep later this year," and "Phillips has met with lots of people to discuss the future of housing reform." Bradford believes the plan "starts with administrative changes to the current capital structure and flow of money."

#### **Continuing Coverage: Treasury's Craig Phillips To Depart Next Month, Raising Questions About Fate Of GSEs. (HOUSEWR, INSDMORTG, MORNSTAR)**

In continuing coverage, [HousingWire](#) (5/17, 23K) said that Craig Phillips, "Department of the Treasury Secretary Steven Mnuchin's top housing advisor and the person tasked with leading the Treasury's efforts to reform Fannie Mae and Freddie Mac, is reportedly leaving the administration as soon as next month." The news of Phillips' "pending departure was first reported by the New York Times, which reported Thursday that Phillips told Treasury department employees that he plans to leave the government next month." According to HousingWire, at Treasury, Phillips "represented the administration on housing matters, speaking on multiple occasions about the administration's plans for housing finance reform." Last year, Phillips "told the crowd at the Mortgage Bankers Association 2018 Annual Conference in Washington, D.C., that the Trump administration is working to end the conservatorship of Fannie and Freddie."

Behind a paywall, [Inside Mortgage Finance](#) (5/17, Muolo, Subscription Publication) said Phillips' departure "also means that recently installed Federal Housing Finance Agency Director Mark Calabria will become an even more important administration participant in the debate even though he's running the FHFA."

According to [Morningstar](#) (5/17, 73K), "Phillips is just the latest official to leave the [Treasury] department this year. Former undersecretary for international affairs David Malpass, assistant secretary for international markets Heath Tarbert, chief of staff Eli Miller and assistant secretary for public affairs Tony Sayegh have all either left or announced plans to leave the Treasury in the first two quarters of 2019."

### **FANNIE MAE AND FREDDIE MAC**

#### **With Possibility Of GSE Release, Experts At MBA Secondary Discuss Ways To Bring Private Equity 'Back Into The Market.' (HOUSEWR)**

[HousingWire](#) (5/20, Wheeler, 23K) reports the "possible release of Fannie Mae and Freddie Mac from conservatorship...looms large over the MBA's National Secondary Market conference and expo in New York City this week after recent comments from FHFA Director Mark Calabria." In one panel, Arch Mortgage Insurance Company EVP James Bennison said, "What is the objective at the end of day? If it's to de-risk the taxpayer-CRT is doing a pretty good job of that. But if you want to shrink the GSEs for private capital, it's not clear to me which one is the primary goal. As you squeeze the GSE balloon, as you are shrinking the GSEs, above 80, where do they go? If they go to FHA, this has done exactly what you don't want to do. It's a terrible idea, but that is exactly what I think happens."

#### **Several REITs 'Aggressively Boosted Their Holdings' Of Agency MBS In Q1. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/17, Bancroft, Subscription Publication) reported a "handful" of REITs "aggressively boosted their holdings of agency MBS" in Q1, "expanding the industry's footprint in the market." Publicly traded REITs "held a record \$308.07 billion" of RMBS as of the end of March, according to IMF's analysis of "financial statements of 15 companies." The group's "aggregate MBS portfolio jumped 11.9%" during Q1 and represented a 28 percent increase since March 2018. According to IMF, "All of the growth was on the agency side of the ledger. REITs increased their investment in Fannie Mae, Freddie Mac and Ginnie Mae securities by \$32.66 billion in the first quarter, a 12.5% increase since December."

#### **Podcast: Freddie Mac CEO Don Layton Discusses 'Leading Through Uncertainty.' (WSJ)**

FHFA-19-0753-A-000163

The [Wall Street Journal](#) (5/19, Subscription Publication, 7.57M) carried a [podcast](#) from Deloitte Partner Mike Kearney, titled, "Leading through uncertainty." In it, Freddie Mac CEO Don Layton discusses business leadership and the mindset required to get a company back on solid footing. Looking back on his career in the banking sector and as head of the GSE, Layton stressed that effective leadership requires a clear vision, effective communication, decisive action, and an embrace of change. Layton also shares that effective leadership requires both a positive personality and quantitative skills. A transcript of the podcast can be found [here](#).

#### **Demand For 'Granny Flats' Grows As Cities Become Less Affordable. (REU)**

[Reuters](#) (5/20, Biron) reports on the rise of "granny flats" as a "low-cost housing solution." According to Fannie Mae VP Maria Evans, accessory dwelling units (ADUs) are "a way to bring affordable housing into a market that already has good opportunity."

#### **Continuing Coverage: Fannie Mae ESR Group Foresees Higher Mortgage Rates In 2019. (MPA)**

[Mortgage Professional America](#) (5/19, Mendoza) reports, "The Fannie Mae Economic and Strategic Research (ESR) Group forecasted that mortgage rates would continue to rise in the remaining quarters this year due to the US-China trade dispute." Fannie Mae "also projected the US GDP growth to climb 2.3%, one-tenth higher than its previous forecast. Net exports were the biggest contributor to quarterly growth, according to the group's outlook." Chief Economist Doug Duncan said, "Prior quarter upticks in net exports and inventories may have fueled the growth, but a deeper dive into the underlying data of each suggests weakness. Escalating trade tensions between the United States and China continue to represent a real downside risk to headline growth, while improving productivity and stronger-than-expected growth out of the Euro Area offer roughly offsetting upside risk."

### **FHLBANKS**

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#### **FHLBank San Francisco Names Seibly President And CEO. (MHN2)**

[Multi-Housing News](#) (5/17) reported FHLBank San Francisco "announced that its board of directors has named Greg Seibly as president and chief executive officer, effective May 12, 2016. He will succeed current President and Chief Executive Officer Dean Schultz, who previously announced his retirement."

### **HOUSING FINANCE AND INDUSTRY**

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#### **Servicer Delinquencies Kept Falling In Q1. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/17, Ivey, Subscription Publication) said loan performance "improved at large servicing firms" in Q1, according to IMF's large servicer delinquency index. The "total mortgage delinquency rate for servicers in the index was 4.21% at the end of March compared with a rate of 4.44% at the end of 2018 and 4.62% at March 31, 2018. Declines in delinquency rates were widespread among large servicers, including a 34-basis-point drop on a sequential basis at Wells Fargo, the largest mortgage servicer." According to IMF, "Year-end bonuses and early tax refunds tend to help mortgage performance in the first quarter. The total delinquency rate in March 2019 was the second-lowest reading in the years after the financial crisis."

#### **Yardi: Multifamily Rent Growth In April Held Steady MoM, But Continued To Decline YoY. (MHN2)**

[Multi-Housing News](#) (5/17, Rosario) reported, "Multifamily rent growth for the month of April continues to be consistent, with rents increasing by \$5 to \$1,436, according to a Yardi Matrix survey of 127 markets." However, YoY growth "continues to decline, falling to 3 percent and dropping 30 basis points from March." The report suggested absorption remains strong, with "the national occupancy rate for stable properties at 94.8 percent," just 10 basis points below a year ago. Jobs "continue to increase, producing around 200,000 new positions each month." However, "homeownership rates declined within the first quarter, dropping 60 basis points to 64.2 percent" due to Q4's increase in mortgage rates.

#### **RE/MAX, Redfin Reports Show Declining Sales In April, But Rebound Could Be On The Horizon. (NATMOPRO)**

[National Mortgage Professional](#) (5/18, Hall) said, "Two new housing data reports pointed to declining home sales in April, but a real estate trade group is insisting the second half of the year will see a rise in sales activities." RE/MAX reported "that April's sales activity was down 1.1 percent" from a year earlier, marking "the ninth consecutive month" of YoY decreases. However, "the decline in April was also the smallest down turn during those nine months," and RE/MAX "also noted that in the 54 metro areas it surveyed," the "overall average number of home sales is up 11.5 percent compared to March." Separately, Redfin found in its own report that home sales "were down 06 percent in April compared to one year earlier while prices rose 2.8 percent" YoY to a median of \$307,600. Redfin Chief Economist Daryl Fairweather said April's data could indicate "that the cooldown may be coming to an end."

**NAR's Yun Predicts New-Home Sales Will Reach 12-Year High This Year, But Existing-Home Sales Will Stay Flat. (HOUSEWR)**

[HousingWire](#) (5/17, Howley, 23K) reported, "Sales of new homes probably will reach a 12-year high this year as builders scramble to meet demand from entry-level buyers," according to NAR Chief Economist Lawrence Yun. However, "Existing home sales probably will be flat, he said." Speaking at NAR's legislative conference on Thursday, Yun said, "While affordability has been sliding, it is still better than we saw in the year 2000. This is due to much lower mortgage rates today. ... With strong job creation, wages are growing at a faster pace" and "wages and home prices are aligning."

**Student Loan Debt, Shortage Of Affordable Homes Pose Major Obstacles For First-Time Buyers. (BLOOM)**

[Bloomberg](#) (5/18, Dmitrieva, 4.73M) reported that "student loan debt and a lack of affordable homes are weighing" on first-time homebuyers' purchase plans. According to NAR, the median first-time buyer pays \$204,000 for a home. At this price range, finding a home is difficult, and getting a loan can pose another obstacle.

**Experts Warn Of Severe Economic Consequences If Mortgage Market Does Not Better Serve Minorities. (HOUSEWR, WP)**

[HousingWire](#) (5/17, Guerin, 23K) reported that a "recent article in The [Washington \(DC\) Post](#) (5/17, 14.2M)," co-authored by NAHREP CEO Gary Acosta, Urban Institute fellow Jim Parrott, and Moody's Chief Economist Mark Zandi, "enumerated the ways in which Hispanics in particular are being shut out of the housing market thanks to mortgage policies that don't accommodate people of color." According to "the article...by 2045, people of color will make up more than half of the US population, and over the next 25 years, more than half of US households will be Hispanic America." The authors wrote, "If the mortgage market doesn't keep up, the nation's economy will bear the consequences."

**Prepay Speeds, Churning Investigations Reportedly Making Investors Wary Of Ginnie Mae MBS. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/17, Muolo, Subscription Publication) reported investors in Ginnie Mae MBS "May think twice about buying the government-backed product, thanks to two recent developments that are gaining prominence." First, prepayment speeds have been "a huge issue last year," resulting in "a handful of lenders" including Freedom Mortgage "being put in the penalty box." Freedom, SunWest, New Day, and "other shops were restricted from pooling VA loans into Ginnie II custom pools for six months" due to "allegations of loan churning." Although sanctions "were lifted in early January," a "recent report from Morgan Stanley" suggests these issuers may not have "learned their lesson."

**MCT Launches Product Enabling "More Efficient Bidding" For TBA MBS. (MORTORB)**

[Mortgage Orb](#) (5/17, Barnard) reported secondary marketing software and mortgage hedge advisory firm Mortgage Capital Trading "has launched a new product that enables more efficient bidding of TBA mortgage-backed securities used by lenders to hedge their open mortgage pipelines." Trade Action Manager (TAM) is a "browser-based software module that is accessible via the company's capital markets platform, MCTlive!"

**Ellie Mae Reduces Staff By 10 Percent. (NATMORNW)**

[National Mortgage News](#) (5/17, Finkelstein) reported Ellie Mae, recently purchased by Thoma Bravo, "underwent restructuring and reduced its staff by 10%." Based on "prior public filings, the company eliminated approximately 160 positions."

**Chicago Fed's CFNAI To Be Released This Morning. (DSN)**

[DS News](#) (5/17, Welborn) reported that this morning, the Chicago Fed will "release its National Activity Index (CFNAI), a monthly index designed to gauge overall economic activity and related inflationary pressure. Last month's release, for March, saw an index increase -0.15 in March from -0.31 in February." The New York Fed's Survey of Consumer Expectations "indicated lower expectations for economic growth in April," and "revealed that consumer expectations of home-price changes remained stable at their recent low level" of three percent in April, marking "the fifth consecutive reading at this level." According to Fannie Mae's HPSI, "despite the upbeat economic activity, many are still pessimistic about the housing market."

**Bobbie Raymond, Famed Strategist For Racial Integration In Housing, Passes Away. (NYT)**

The [New York Times](#) (5/17, Roberts, 18.61M) reported 80-year-old Bobbie Raymond, whose "visionary strategy for curbing white flight from her suburban Chicago village was embraced as a national model for racial integration in housing," passed away on May 7 in Chicago.

**Analysis: Millennials May Never Deliver A Homebuying Surge To The Market, For Several Reasons. (WSJ)**

The [Wall Street Journal](#) (5/17, Lahart, Subscription Publication, 7.57M) said that although the Millennial demographic has reached typical homebuying age, their buying power remains

depressed due to lingering effects of the financial crisis. They also carry a great deal of student loan debt, and they have delayed other milestones that tend to accompany household formation.

### **US Bank SVP: Ten Major Trends Have Defined The Mortgage Market Over The Past Decade. (DSN)**

In a [DS News](#) (5/17, Ojha) guest piece, US Bank SVP Douglas Whittemore listed ten major trends the mortgage market has witnessed over the past decade. These include: "record" home price appreciation; "elevated" first-time homebuyer rates; "below-average" homeownership rates; "tight" housing supply; "new highs" for household income; an "all-time low" for mortgage rates; a rise in home equity; higher household debt, but lower DTI ratios; better credit quality; and a decline in delinquencies. According to Whittemore, "These trends show the emergence of a new type of consumer," and servicing strategies "will be driven by consolidation in both the bank and nonbank sectors as mortgage volumes continue to decline and margins shrink."

### **Continuing Coverage: LendingTree Report Suggests Low Credit Scores And Debt Keeping Gen X Renters Out of Housing Market. (HOUSEWR)**

According to [HousingWire](#) (5/17, Lloyd, 23K), a "recent report from LendingTree reveals that although Gen Xers are now in their prime earning years, many are refraining from homeownership due to substantial debt." Analyzing the credit profiles of Gen X renters versus homeowners, LendingTree "discovered that although renters carry less overall debt, homeowners have lower delinquency rates and higher credit scores."

## **REGULATORY NEWS**

### **President Trump Announces US Lifting Steel, Aluminum Tariffs On Canada, Mexico. (HOUSEWR)**

[HousingWire](#) (5/17, Howley, 23K) reported President Trump "used his one-hour speech" at NAR's convention on Friday "to announce the US would be lifting steel and aluminum tariffs on Canada and Mexico." He said, "We've just reached an agreement with Canada and Mexico and we'll be selling our product into those countries without the imposition of tariffs or major tariffs." According to HousingWire, "Trump also discussed the 25% tariffs he imposed on \$200 billion of Chinese products a week ago." Although he "usually...says that China will be paying the tariffs," this time, he "admitted Americans will be paying." The NAHB "has called it a \$2.5 billion tax on housing."

### **House Passes Anti-Discrimination Bill Unlikely To Get A Vote In The Senate. (AP, WT, WP, NYT, HILL, DSN)**

The [AP](#) (5/17, Daly) reported that on a [236-173 vote](#), "with every Democrat voting in favor, along with eight Republicans," the House on Friday "approved sweeping anti-discrimination legislation...that would extend civil rights protections to LGBT people by prohibiting discrimination based on sexual orientation or gender identity." According to the AP, "The protections would extend to employment, housing, loan applications, education, public accommodations and other areas." The AP said the [Equality Act](#) was "a top priority" for Speaker Pelosi.

The [Washington Times](#) (5/17, Vondracek, 492K) reported, "In the waning moments before Friday's vote, Republican opponents sought to cast the bill as a vaguely-written statute that would allow trans female athletes to run roughshod over biologically female opponents and open up churches to prosecution for discrimination against LGBTQ persons."

The [Washington Post](#) (5/17, Itkowitz, 14.2M) said Republicans "warned of the threat to religious freedom and argued that the measure could undermine women's rights, with men who identify as women taking spots on women's sports teams and denying them athletics scholarships." The Post says the bill is "unlikely to get a vote in the Republican-led Senate, and the White House has signaled President Trump would veto the measure if it ever reached his desk." The [New York Times](#) (5/17, Edmondson, 18.61M) reported that Rep. Doug Collins (R-GA) "took to the floor to argue that the legislation would harm children and set back the civil rights gains won by women." [The Hill](#) (5/17, Axelrod, 2.98M) reported Senate Minority Leader Schumer is "calling on" Majority Leader McConnell to "hold a vote on the House-passed Equality act."

Separately, [The Hill](#) (5/17, Brufke, 2.98M) reported a "senior administration official" told NBC News, "The Trump administration absolutely opposes discrimination of any kind and supports the equal treatment of all. However, this bill in its current form is filled with poison pills that threaten to undermine parental and conscience rights."

[DS News](#) (5/17, Welborn) reported earlier this month, Sens. Susan Collins (R-ME) and Angus King (I-ME) "joined with Virginia Senator Tim Kaine (D) in promoting the Fair and Equal Housing Act of 2019," a separate piece of legislation that is "intended to add gender identity and sexual orientation to the classes that are protected from discrimination by the Fair Housing Act."

### **Joining In Opposition Of CFPB's Payday Rule Proposal, 25 State Attorneys General Defend ATR Requirements. (AMBNKR)**

[American Banker](#) (5/17, Haggerty, Subscription Publication, 31K) reported attorneys general "from 24 states" and Washington, DC are "opposing" the CFPB's "proposal to remove ability-to-repay requirements from the agency's payday lending rule. In a comment letter Wednesday, the attorneys general...said the bureau's proposal is inconsistent with the Dodd-Frank Act, ignores states' experience with payday and vehicle title lending, and undermines states' efforts to protect



consumers.”

### **Montgomery, Kasper: Shrinking FHA/Ginnie Footprint “Not On The Table.” (INSDMORTG)**

Behind a paywall in its Short Takes, [Inside Mortgage Finance](#) (5/17, Yang, Subscription Publication) reported, “The Community Mortgage Lenders of America and the Community Home Lenders Association Friday morning said the two trade groups met with Brian Montgomery,” acting deputy director at HUD, and Maren Kasper, acting president at Ginnie Mae, to discuss “housing finance reform.” CMLA Executive Director Ed Wallace “said HUD is seeking input from them as the department develops a plan for administrative and legislative reforms,” particularly concerning “the roles of the FHA and Ginnie in providing housing finance support to low- and moderate-income families.” According to the two groups, Montgomery and Kasper “both confirmed that shrinking the footprint is not on the table.”

### **Opportunity Zones Said To Provide New Opportunities For Lenders, Giving A Boost To The CRE Market. (SCOTGUI)**

[Scotsman Guide](#) (5/17, Whitman) reported Opportunity Zones are “already drawing investors to economically depressed areas,” and this “should provide new opportunities for commercial mortgage brokers and lenders.” According to Silver Arch Capital Partners’ Matt Cole, the program should give the CRE market a boost, even as investors have grown nervous about the market so late into the business cycle.

### **Otting Discusses OCC’s Overhaul, CRA Reform, Fintech Charter. (AMBNKR)**

[American Banker](#) (5/19, Witkowski, Subscription Publication, 31K) reports on its interview with Comptroller of the Currency Joseph Otting about his “overhaul of key processes – reforming bank supervision, changing certain aspects of the comptroller’s role at the agency and aiming to cut \$20 million in expenses by the end of 2019.” Those efforts are part of Otting’s larger goal of creating a “single supervisory platform” for banks by 2020. “Anything that touches the examination process...we put that under one umbrella because we think that gives us the ability to look holistically at how will examinations be done in the future,” Otting said. He also spoke about the CRA reform effort, noting that he and other bank regulators hope to “agree on all the fundamentals of CRA” by “mid-to-late summer.” With regard to the recent court decision allowing the New York Department of Financial Services to proceed with its suit to block the OCC’s fintech charter, Otting said “we still feel we have the legal authority to do this.”

### **CFPB Alleges Debt Collection Firm Robo-Sued Clients On Behalf Of Discover, Citi. (MRKTWTCH)**

[MarketWatch](#) (5/17, Goldstein, 1.67M) reported the CFPB “has filed a lawsuit against a New York debt collection firm that sues on behalf of creditors,” including Discover and Citi, “for filing collection lawsuits against consumers without meaningful attorney involvement.” The bureau’s suit against Forster & Garbus “alleges the firm has used nonattorney support staff, automation, and both a cursory and deficient review of account files to attempt to collect more than 99,000 debts, collecting substantial sums of money from consumers who may not actually owe debts or may not owe debts in the amounts claimed.”

## **BANK INDUSTRY NEWS**

### **Fed’s Lieber: Libor Contracts Creating Systemic Risk; Accelerated Switch To SOFR Is Needed. (REU)**

[Reuters](#) (5/17) reported, “Using [Libor] for financial contracts is increasing systemic risks and market participants must ditch it in favor of a new risk-free rate, the Federal Reserve Bank of New York’s Matthew Lieber said on Friday.” Lieber “urged an accelerated switch” to SOFR, saying, “We need to coordinate on a global basis. The most imperative challenge is just to stop using Libor, market participants need to stop using Libor contracts. Systemic risk is growing on each new contract written on Libor and would be reduced if they were entered into SOFR.”

### **Deutsche Bank Recommended Reporting Activity In Trump, Kushner Accounts To FinCEN. (NYT, BLOOM, REU, NBCNEWS, MRKTWTCH, HILL)**

The [New York Times](#) (5/19, Enrich, 18.61M) reports Deutsche Bank anti-money laundering specialists “recommended in 2016 and 2017 that multiple transactions involving legal entities controlled by Donald J. Trump and his son-in-law, Jared Kushner, be reported to a federal financial-crimes watchdog.” The Times cites “five current and former bank employees” who said the transactions, “some of which involved Mr. Trump’s now-defunct foundation, set off alerts in a computer system designed to detect illicit activity.” While compliance staff members “prepared so-called suspicious activity reports that they believed should be sent to” Treasury’s FinCEN, executives of the bank, “which has lent billions of dollars to the Trump and Kushner companies, rejected their employees’ advice.”

[Bloomberg](#) (5/19, 4.73M) reports former Deutsche Bank employees “told the New York Times that the decision not to report the transactions reflected the bank’s indifferent approach toward money laundering laws and its focus on protecting its relationship with important clients.” In a statement, the bank said, “We have increased our anti-financial-crime staff and enhanced our



controls in recent years and take compliance with the AML/BSA laws very seriously.”

[Reuters](#) (5/19) says, “The report surfaces at a time when congressional and New York state authorities are investigating the relationship between Trump, his family and Deutsche Bank, and demanding documents related to any suspicious activity.” Trump has sued to block House subpoenas to Deutsche Bank and Capital One for his financial records.

[NBC News](#) (5/19, 6.14M), [MarketWatch](#) (5/19, Murphy, 1.67M), [The Hill](#) (5/19, Frazin, 2.98M), and [Reuters](#) (5/20) also report.

#### **JPMorgan Acquires Cloud Healthcare Payments Firm InstaMed For \$500M. (AMBNKR, CNBC, PYMENTS, REU, BARRONS, MRKTWTCH, FT)**

[American Banker](#) (5/17, Fitzgerald, Subscription Publication, 31K) reported JPMorgan is acquiring cloud-based healthcare payments platform InstaMed, which “has seen significant growth in recent years from consumer medical payments.” The bank said in a press release Friday that it is aiming to gain market share in the healthcare payments market, worth up to \$3 trillion.

According to [CNBC](#) (5/17, Son, 3.62M), JPMorgan “is paying more than \$500 million for the business, making it the lender’s largest takeover since buying Bear Stearns and the bank assets of Washington Mutual in 2008, according to people with knowledge of the situation.” The move shows that JPMorgan “views the fast-changing world of payments as a battleground worthy of aggressive wagers.” Although the bank usually partners with fintechs or uses its own engineers to build solutions “when it comes to keeping pace with emerging technology in lending or investing,” payments “offers a rare growth opportunity for banks.” [PYMENTS](#) (5/17, 12K) reported the deal will give JPMorgan “access to InstaMed’s network of healthcare stakeholders, spanning payers, consumers, and providers.”

[Reuters](#) (5/17, Dilts), [Barron’s](#) (5/17, Walsh, 1.07M), [MarketWatch](#) (5/17, Toy, 1.67M), and the [Financial Times](#) (5/17, Platt, Subscription Publication, 1.34M) also reported.

#### **GOP Pushes Deregulation Of Banks In Risky Move To Boost Growth. (POLITICO)**

[Politico](#) (5/19, Warmbrodt, 4.29M) reports Congressional Republicans “are pushing for a politically risky solution to help ward off a slowdown: rolling back regulations on the nation’s booming banks.” Lawmakers “are hounding” Trump-appointed regulators “to step up their deregulation efforts to encourage more lending and keep the near-record expansion going.” Sen. Thom Tillis (NC) said “we’ve heard from a number of experts either within the Administration or in the financial services community that capital is not moving as quickly as it can.” As such, he wants to accelerate “responsible regulatory clawback.” But Republicans “are facing furious opposition from progressive Democrats,” such as House Financial Services Chair Maxine Waters (CA) and Rep. Alexandria Ocasio-Cortez (NY), as well as pushback from former Fed Chairs Ben Bernanke and Janet Yellen, “who warn that the Trump Administration is flirting with disaster if it continues to erode safeguards enacted after the crash.”

#### **Bank Deposit Rates Likely To Decline If The Fed Cuts Interest Rates. (WSJ)**

The [Wall Street Journal](#) (5/19, Prang, Subscription Publication, 7.57M) reports investors increasingly believe that the Fed will cut interest rates at least once this year, meaning banks may reverse course on deposit rates, which have risen over the last two years. Although big banks have kept payouts low, savers over the last year have had two percent-plus yields for savings accounts at online banks and COD rates that sometimes topped three percent. That occurred as the Fed increased short-term rates nine times between late 2015 and late 2018. An inversion of the yield curve will likely pressure bank profits, adding to the possibility that deposit rates will decline, especially if the Fed cuts rates.

#### **Credit Quality Declines At Largest Commercial Lenders. (FT)**

The [Financial Times](#) (5/20, Armstrong, Subscription Publication, 1.34M) reports the quality of big banks’ commercial lending portfolios is declining for the first time in almost three years.

#### **Additional Reading. (AMBNKR)**

- Metro Bank shares post record gain as lender boosts capital. [American Banker](#) (5/17, Subscription Publication, 31K)
- In New York, growing support for a public bank. [American Banker](#) (5/17, Subscription Publication, 31K)
- A remittance fintech aims to be first of its kind to offer banking. [American Banker](#) (5/17, Subscription Publication, 31K)
- 10 years after resurrection, BankUnited eyes Atlanta, servicing exit. [American Banker](#) (5/17, Subscription Publication, 31K)
- Heritage Commerce bulks up in San Francisco with Presidio purchase. [American Banker](#) (5/17, Subscription Publication, 31K)
- BankThink: Don’t drop the ball on trans-Atlantic cooperation. [American Banker](#) (5/17, Subscription Publication, 31K)

### **TOP TREASURY NEWS**

**Trump: “I Love The Farmers,” Who Understand “China Has Been Ripping Off” US. (FOX,**

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AP, WSJ, CNN, HILL, FORTUNE, FT, WP, REU, BLOOM, NYPOST)

In an interview with Steve Hilton that aired on [Fox News' The Next Revolution](#) (5/19, 1.34M), President Trump said, "I love the farmers. They voted for me. ... Even now the farmers are saying, 'Look, everybody knows that China has been ripping off the United States along with the most every other country,' in all fairness. ... We have a trade deficit with China of \$500 billion. That's not even conceivable."

In an analysis, the [AP](#) (5/19, Burnett, McFetridge) writes that Trump "won the presidency by winning rural America, in part by pledging to use his business savvy and tough negotiating skills to take on China and put an end to trade practices that have hurt farmers for years," and so far, "there's little indication Trump is paying a political price. But there's a big potential upside if he can get a better deal – and little downside if he continues to get credit for trying for the farmers caught in the middle." In related news, the [Wall Street Journal](#) (5/19, Haddon, Bunge, Subscription Publication, 7.57M) reports that major US meat producers expect an African swine fever outbreak in China to cause meat prices to rise this year, boosting the US industry.

**Romney Says Americans Pay Tariff Costs, But China "Has Gotten Away With Murder."** Sen. Mitt Romney (R-UT), on [CNN's State of the Union](#) (5/19, 670K), addressed President Trump's use of tariffs against China. Romney said, "The cost of tariffs is borne by the American public. ... The Chinese don't write checks to the American treasury. ... But it's a sacrifice, I think, which is essential to keep China from continuing to kill our jobs and kill our businesses and employ people. China has gotten away with murder for years where we've looked the other way as they've cheated on foreign agreements and on the international rules of commerce."

**Democratic Presidential Hopefuls Say Administration Hurting Trade Negotiations.** The [Wall Street Journal](#) (5/19, Salama, Thomas, Subscription Publication, 7.57M) looks at how Democratic presidential contenders are reacting to Trump's China trade policy, reporting that while many of them also call for toughness, they are arguing that the Administration's performance on trade negotiations is working to America's detriment. Montana Gov. Steve Bullock (D) said on [CNN's State of the Union](#) (5/19, 670K), "We need to be tough on China, let's not kid ourselves about that. ... A 25 percent tariffs on all Chinese products – every American family will be hit by \$2,000 in one year in increased prices."

[The Hill](#) (5/19, Fabian, Samuels, 2.98M) reports Trump has "dealt with divisions within the White House on how best to approach negotiations with China." The piece says "some advisers, such as Treasury Secretary Steven Mnuchin, are more cognizant of how deeply entangled the two sides are economically as negotiations play out. The two countries traded roughly \$660 billion in merchandise last year, and China holds more than \$1 trillion in U.S. debt, further intertwining the two sides." However, "another group of aides, including trade adviser Peter Navarro and former White House chief strategist Stephen Bannon, have voiced more hawkish views of China, maintaining the country is a strategic threat that must be dealt with aggressively."

[Fortune](#) (5/17, 3.91M) reported last week Mnuchin "told Congress that talks would continue soon in Beijing, but China's Foreign Ministry spokesman claims China is 'not aware' of any such plans." The [Financial Times](#) (5/20, Mitchell, Subscription Publication, 1.34M) also covers the topic.

**WPost Analysis: Trade Conflict Increasing Military Tensions.** The [Washington Post](#) (5/19, Sonne, 14.2M) writes in an analysis that though the US "for years relied on economic interdependence with China as a stabilizing force in relations with Beijing," there is now "a realization that those days are gone. The result is a reduced incentive for stability and restraint in Washington when it comes to China, raising the possibility that tensions could extend beyond the trade sphere and impact other areas of contention, including Taiwan or the South China Sea." The Post also says the Pentagon is concerned about the Chinese defense buildup.

Rep. Mac Thornberry (R-TX), on [Fox News' Sunday Morning Futures](#) (5/19, 1.41M), said, "Part of what's at stake is which nation is going to set the standard for the rest of the world, which nation's values are going to predominate. We see China using not just their military, but their economic and trade leverage and investment all over the world to get their hooks into some of these less-developed countries who are just desperate for roads and other kinds of infrastructure. But once China starts getting their hooks in them, then they expect those lesser-developed countries to toe the line."

**Lagarde: US-China Trade Tensions Could Be Risk For World Economic Outlook.** [Reuters](#) (5/17) reports the trade dispute between the US and China "could be a risk to the world economic outlook if it is not resolved, International Monetary Fund Managing Director Christine Lagarde told Reuters on Friday during a visit to Uzbekistan." She said, "Obviously, the downside risk that we have is continued trade tensions between the United States and China. And if these tensions are not resolved, that clearly is a risk going forward."

Meanwhile, [Bloomberg](#) (5/19, 4.73M) reports the People's Bank of China "warned that the escalating trade war could destabilize the global economy, and vowed to continue with targeted stimulus at home while keeping the currency steady." The PBOC said in its quarterly monetary policy report, "Trade friction and uncertainties in global policy could impact the global economy negatively" by driving up inflation, hurting household and corporate confidence and causing financial market turmoil.

**Schumer Seeks Commerce Probe Of Chinese Subway Car Maker.** The [New York Post](#) (5/19, Moore, 4.57M) reports Senate Minority Leader Schumer is calling on the Commerce Department to investigate whether China Railway Rolling Stock Corp.'s proposal to design new New York subway cars "could pose a threat to national security." Schumer raised the concerns amid "a tariff war...and after the Trump administration filed criminal charges last week against

Huawei...for stealing US technology."

**White House To Focus On Middle East Investment As First Part Of Peace Plan. (CNN, ISNATNEW, BREITBART, WASHFRBE, NYT, ALJAZEER, HILL, REU, TISR, WP, AXIOS, POLITICO, JERP, HAARETZ, AFP)**

The White House's announcement Sunday that it plans to launch its long-awaited Middle East peace plan with an "economic workshop" in Bahrain next week is met with some skepticism by the media. [CNN](#) (5/19, Tapper, 83.16M) reports White House senior adviser Jared Kushner told CNN in a statement that "people are letting their grandfathers' conflict destroy their children's futures. This will present an exciting, realistic and viable pathway forward that does not currently exist." A senior Administration official told CNN that the event will address "four major components...infrastructure, industry, empowering and investing in people, and governance reforms 'to make the area as investible as possible.'" According to [Israel National News](#) (5/19, Rosenberg, 42K), the "workshop will focus heavily on economic development in the Gaza Strip." [Breitbart](#) (5/19, Pollak, 673K) reports Treasury Secretary Steven Mnuchin was quoted in the White House statement as saying the conference "will offer Palestinians exciting new opportunities to realize their full potential" following a peace agreement. The [Washington Free Beacon](#) (5/19, Kredo, 78K) reports Mnuchin also said, "This workshop will engage leaders from across the entire Middle East to promote economic growth and opportunity for the people in this important region."

Some reports indicate that similar events have been held previously with little success. To the [New York Times](#) (5/19, Baker, Landler, 18.61M), for example, the Administration has "decided to take a businessman's approach to Middle East peace: They will try to buy their way to a deal." While the Administration "has indicated that it is seeking tens of billions of dollars but would not identify a precise figure," the Times says "the international community has held economic conferences to benefit the Palestinians before without leading to peace, and veterans of past negotiations have expressed deep skepticism that Mr. Trump's effort will gain traction where previous efforts failed." [Al Jazeera English](#) (5/19, Jazeera, Agencies, 80K) likewise writes that "Trump's Middle East team...appear to initially focus on the potential economic benefits of the plan, despite deep scepticism among experts that they can succeed where decades of US-backed efforts have failed."

[The Hill](#) (5/19, Frazin, 2.98M) reports the US and Bahrain jointly announced the June meeting in a statement, which "did not mention tension between the Israelis and Palestinians or whether such political issues would addressed," and [Reuters](#) (5/19) reports that a "senior US official declined to say whether Israeli and Palestinian officials would take part" in the meeting. The [Times Of Israel](#) (5/19, Cortellessa, 83K) says the "White House did not indicate which countries would attend the summit," but "according to CNN, finance ministers, rather than foreign ministers, will be invited to take part."

According to the [Washington Post](#) (5/19, Gearan, 14.2M), the Administration "will unveil economic proposals for development in the Palestinian territories next month...but will hold back crucial details about a potential political settlement to the conflict." The Post says that "by divorcing the economic underpinnings of the plan from the most sensitive political questions about the future of the region, the Trump administration may be attempting to prevent it from becoming dead on arrival."

Barak Ravid similarly reports for [Axios](#) (5/19, 521K) that a "senior White House official said the Trump peace team led by...Kushner has decided to launch the peace plan in two phases. Phase 1: Publish a plan to boost the Palestinian economy. Phase 2: Publish the political plan which will deal with core issues like borders and Jerusalem." [Politico](#) (5/19, Quilantan, Toosi, 4.29M) says that "to the extent that administration officials have been willing to discuss the peace proposal, they've focused mostly on the economic opportunities that could become available to Palestinians."

The [Jerusalem Post](#) (5/19, Nahmias, 90K) says it is "unclear when the political part of the plan will be released," and when asked, a senior Administration official said, "We will release it when we think it's appropriate." [Ha'aretz](#) (5/19, Tibon, Landau, 307K), among other outlets, also report the announcement.

***Al Jazeera Suspends Two Journalists Over Holocaust Report.*** [AFP](#) (5/19) reports Al Jazeera "suspended two journalists on Sunday over a video they produced claiming the extent of the Holocaust was being misrepresented by Jews." According to AFP, the story "claimed 'the narrative' that the Nazis killed six million Jews was 'adopted by the Zionist movement.'" In the story, "images of the persecution of European Jews living under Nazi rule, as well as photographs of those killed, were overlaid with narration asking 'why is there a focus only on them?'" In a statement, Al Jazeera said, "The video content and accompanying posts were swiftly deleted...as it contravened the network's editorial standards."

**Waters Says She Will Ask Mnuchin Under Oath If Trump Instructed Him Not To Release Tax Returns. (REALCLEAR, WP, HILL, ATLANTIC, AXIOS, AP)**

[Real Clear Politics](#) (5/17, 825K) reported House Financial Services Committee Chairwoman Rep. Maxine Waters told CNN's "New Day" on Friday that during Treasury Secretary Steven Mnuchin's testimony scheduled for Wednesday she would ask him "under oath about his claim that President Trump did not instruct him to not release Trump's tax returns to Congress." Waters said, "The elephant in the room is going to be about his refusal to turn over the tax returns that are being requested of him. And he has said that he did not have any conversation with the president or with anybody in the administration." She added, "He made this decision on his own. Well, I question that." The piece goes on to provide a transcript of the exchange.

The [Washington Post](#) (5/18, 14.2M) reported that in an interview with the outlet on Friday, Rep. Bill Pascrell Jr. (D-NJ) "slammed Treasury Secretary Steven Mnuchin for ignoring a subpoena to provide President Trump's tax returns to House Ways and Means Committee Chairman Richard E. Neal (D-Mass.) but said the country is not yet in a constitutional crisis."

Lawyers David B. Rivkin Jr. and Lee A. Casey, who served in the White House Counsel's Office and the Department of Justice under former Presidents Reagan and George H.W. Bush, wrote in a piece for [The Hill](#) (5/17, 2.98M) that Mnuchin "was right to refuse" to give Congress "that access...His action is firmly grounded in federal statute and the Constitution." They argue that he is "defending the ability of presidents to function without fear of congressionally driven debilitation. There is every reason to believe that he will prevail in the courts of law as well as in the court of public opinion."

University of Baltimore law professor Garrett Epps writes in [The Atlantic](#) (5/19, 3.47M) that "Mnuchin's defiance is of a piece with the administration's utterly unprecedented claim that 'executive privilege' permits it to refuse to provide documents or testimony whenever it suits the president."

[Axios](#) (5/19, Treene, Nather, 521K) reports House Democrats are "considering a new idea to pressure the Trump administration to comply with their subpoenas. The idea is to use the appropriations process as leverage and threaten to withhold funding until they get the documents and testimony they've requested." However, the piece says the move "has a high risk of failure, since appropriations bills have to be approved by a Republican-held Senate and signed by the president." Axios says Democrats on the House Appropriations Committee are "writing the bills that will fund the federal government for the next fiscal year — including the ones that will fund the Justice Department and the Treasury Department, two of the departments that have been resisting subpoenas."

Also covering the topic are the [AP](#) (5/18), [The Hill](#) (5/19, Frazin, 2.98M), and [The Hill](#) (5/19, Frazin, 2.98M).

### **Treasury's New Guidance Clarifies How Investments In Opportunity Zones Would Work. (NYT)**

The [New York Times](#) (5/17, Sullivan, 18.61M) reported that while Opportunity Zones, which were designated in the 2017 tax overhaul, "make real estate attractive to professional investors," confusion arose over how to invest in them. The Treasury Department's guidance, released last month, has "helped clarify how investments in these zones would work" and has "acted as a green light for managers raising money for funds to invest in these." In its guidance, the Treasury Department "also clarified what qualified as work done in an opportunity zone." When the legislation came out, "investors wondered whether any business activity could occur outside that zone." Although "requiring all work to be done in a depressed area would have helped the community," it "would have also made achieving high returns more difficult for investors." The new guidance from Treasury officials "used more relaxed tests that looked at hours, wages or tangible property."

### **Congressional Leaders To Begin Talks With White House On Budget Deal. (POLITICO)**

[Politico](#) (5/17, Bresnahan, Ferris, 4.29M) reported Speaker Nancy Pelosi, Senate Majority Leader Mitch McConnell, Senate Minority Leader Chuck Schumer and House Minority Leader Kevin McCarthy "have agreed to begin negotiations on a two-year deal to lift stiff budget caps, according to multiple sources familiar with the talks." The congressional leaders will meet with top White House officials this week "to formally kick off the discussions, which have the support of President Donald Trump, said the sources." The piece explained that GOP leaders are "also pushing for an increase in the debt limit but do not want to formally link it to a budget caps deal." Acting White House Chief of Staff Mick Mulvaney, Acting Office of Management and Budget Director Russ Vought, and Treasury Secretary Steven Mnuchin "will take the lead for the Trump administration in the negotiations, the sources added."

### **Opinion: Interest Rate Caps Rarely Work. (HILL)**

In an opinion piece for [The Hill](#) (5/19, 2.98M), Thomas P. Vartanian, Executive Director and Professor of Law at the Program on Financial Regulation & Technology at the Antonin Scalia Law School at George Mason University, writes that while the concept of a 15 percent cap on interest rates "sounds great," unfortunately, "actions that politicize and regulate one aspect of a competitive market rarely have ever worked." In introducing the Loan Shark Prevention Act, Sen. Bernie Sanders (I-VT) and Rep. Alexandria Ocasio-Cortez (D-NY) "suggest that the record of demonstrated success of [the] 15-percent cap on credit union lending over the last several decades should be replicated for all consumer lending." That rates "can be modified if the appropriate federal regulator decides to do so after 'consultation' with the appropriate committees of the Congress, the Department of Treasury and other federal bank regulatory agencies." The Hill adds that "credit unions have almost never lived under this 15-percent cap." Their regulator eliminated the cap in 1987, replacing it with an 18-percent rate.

### **Phillips' Departure The Latest Vacancy At Treasury. (NSMAX)**

[Newsmax TV](#) (5/19, 431K) reports, "In an administration that places such a high priority on economic policy, it is unusual to find four of the top positions are currently vacant at the U.S. Department of the Treasury." The piece notes recent reports that Craig Phillips, counselor to Secretary Steven Mnuchin, "would soon be leaving his position and returning to Wall Street." His



departure comes "on the heels of the president naming David Malpass, under secretary of the Treasury for international affairs, as president of the World Bank. A month after Malpass assumed his new position, no successor has been named to his portfolio at Treasury." Newsmax adds that "also exiting the Treasury Department" is Eli Miller, Mnuchin's chief of staff.

## TOP ECONOMIC NEWS

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### Dollar Holds Firm. (REU)

[Reuters](#) (5/20, Chatterjee) reports "the dollar held surprisingly firm on Monday, extending its gains from last week as concerns about a festering trade war between the United States and China burnished the safe-haven appeal of the greenback." Against a basket of rivals, the dollar "steadied at a two-week high above 98."

### Gold Steadies. (REUIN)

[Reuters \(IND\)](#) (5/20, Bose) reports, "Gold steadied on Monday to trade near a two-week low hit in the previous session as strong US economic data underpinned the dollar, boosting its safe-haven status over gold amid geopolitical and trade tensions." Spot gold "was broadly unchanged at \$1,276.55 per ounce as of 0525 GMT." Meanwhile, US gold futures "edged 0.1% higher at \$1,276.20 an ounce."

### Oil Rises. (REUAF)

[Reuters \(AF\)](#) (5/20, Sheldrick, 5K) reports, "Oil rose to multi-week highs on Monday after OPEC indicated it would probably maintain production cuts that have helped support prices this year, while tension continued to escalate in the Middle East." Brent crude "was up by 90 cents, or 1.3%, at \$73.11 a barrel by 0604 GMT, having earlier touched \$73.40, the highest since April 26." Meanwhile, West Texas Intermediate crude "was up 71 cents, or 1.1% higher, at \$63.47 a barrel. The US benchmark reached \$63.81 earlier, the highest since May 1."

### Treasury Yields Rise Slightly. (BLOOM)

[Bloomberg](#) (5/19, 4.73M) reports the yield on 10-year Treasuries "gained one basis point to 2.40%" as of 8:08 a.m. in London.

## THE BIG PICTURE

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### Headlines From Today's Front Pages.

#### **Wall Street Journal:**

[Big Companies Tightened Spending As Trade Fears Intensified](#)  
[BlackRock, Other Big Investors Spoil Uber's Coming-Out Party](#)  
[Swede Brings His Orphaned Grandchildren Home From ISIS Trauma](#)  
['Playing Catch-Up In The Game Of Life.' Millennials Approach Middle Age In Crisis](#)  
[U.S. Officer On A Pink Phone Dials Down North Korea Tensions](#)

#### **New York Times:**

[Fighting Ebola When Mourners Fight The Responders](#)  
[As Thousands Of Taxi Drivers Were Trapped In Loans, Top Officials Counted The Money](#)  
[Deutsche Bank Staff Saw Suspicious Activity In Trump And Kushner Accounts](#)  
[Why A Witness To Eric Garner's Death Is Giving Up On 'Justice'](#)  
[Abortion Fight Or Strong Economy? For G.O.P., Cultural Issues Undercut 2020 Message](#)  
[Morehouse Graduates' Student Loans To Be Paid Off By Billionaire](#)

#### **Washington Post:**

[Biden's Lead Shakes Notion Of Democrats' Leftward Rush](#)  
[CIA Star For Death By Suicide Sparks Debate On Wall Honor](#)  
[Where Women Call The Shots](#)  
[U.S., China Are Losing A Stabilizer In Relationship](#)  
[States Take On Climate, Drilling](#)  
[A surprise Gift For Grads: No Student Debt](#)

#### **Financial Times:**

[India Exit Polls Point To Clear Election Victory For Modi](#)  
[US Spy Chiefs Warn Tech Companies On China Dangers](#)  
[Hamdi Ulukaya: Leading As An 'Anti-CEO'](#)  
[Austria To Hold Polls After Vice-Chancellor Resigns](#)

#### **Washington Times:**

[Boycott Bluster Over Pro-Life 'Heartbeat' Abortion Bills Fails To Spark Action](#)  
[Activists Prod 2020 Democratic Candidates To Shun Bipartisan Dealmaking](#)  
[Homeland Security Reverses Course On Plan To Ship Illegal Immigrants Across The Nation](#)  
['A Devastating Smear Campaign': Ballyhooed Manafort-Russia Conspiracy That Never Panned Out](#)



**Story Lineup From Last Night's Network News:**

**ABC:** Severe Weather; Texas-8-Year-Old Kidnapped; Abortion Bills-Trump's Comments; Egypt-Roadside Bomb Strikes Tourist Bus; Oregon-Coach Prevents Campus Tragedy; Morehouse College-Billionaire Gives Millions To Pay Tuition Debts; Indiana-Home Explosion; Plane Crashes Into Atlantic; New Jersey-Driver Drags Officers; NASCAR-Drivers Fight; Pennsylvania-Steel Building Imploded; Ohio-Preschool Graduate With Spina Bifida Walks Up Aisle.

**CBS:** Trump-Impeachment; Severe Weather; Border Patrol-Migrants Flown To New State; US-Iran Tensions; Texas-8-Year-Old Kidnapped; Pennsylvania-Steel Building Imploded; Morehouse College-Billionaire Gives Millions To Pay Tuition Debts; Lowfat Diet Reduces Risk Of Breast Cancer; Bitcoin & Cryptocurrency; Washington, DC-Women Firefighters.

**NBC:** Severe Weather; Nebraska-Tornadoes; Oregon-Coach Prevents Campus Tragedy; Trump-Impeachment; Texas-8-Year-Old Kidnapped; Egypt-Roadside Bomb Strikes Tourist Bus; Boston-Nonprofit Gets Gang Members Off The Streets; Morehouse College-Billionaire Gives Millions To Pay Tuition Debts; Mass Shootings-Last Responders; Arnold Schwarzenegger Assaulted; Pennsylvania-Steel Building Imploded; Preakness Horse Race-Horse Throws Jockey; Queen Latifah-Gender & Racial Equality In Film.

**Network TV At A Glance:**

Texas-8-Year-Old Kidnapped – 5 minutes, 25 seconds

Morehouse College-Billionaire Gives Millions To Pay Tuition Debts- 4 minutes, 5 seconds

**Story Lineup From This Morning's Radio News Broadcasts:**

**ABC:** Morehouse College-Billionaire Gives Millions To Pay Tuition Debts; Trump-Impeachment; Abortion Bills-Trump's Comments; PGA Championship.

**CBS:** US-Iran Tensions; Trump-Comments On Tariffs; Alabama-Abortion Bill Protestors; Texas-8-Year-Old Kidnapped; Gas Prices; Game Of Thrones-Series Finale.

**FOX:** Trump-Comments On Tariffs; Alabama-Abortion Bill Protestors; Severe Weather.

**NPR:** Alabama-Abortion Bill Protestors; Trump-Impeachment; US-Iran Tensions;

## **SOCIAL MEDIA RECAP**

**Key Social Conversations.**

A Bulletin Intelligence analysis of social media activity found a spike in FHFA- and GSE-related posts and engagement on Friday, stemming from President Trump's comments regarding the Administration's focus on GSE reform. The tweet with highest engagement was from CNBC Mad Money analyst Anthony Bosignore, despite generating only 1K impressions. Together, tweets from Bloomberg and the Los Angeles Times generated 8M impressions. In other news, Politico's Katy O'Donnell tweeted about her interview with Director Calabria, generating over 2K impressions and eliciting strong engagement.

- **CNBC Mad Money research analyst Anthony Bosignore tweeted (69 retweets, 160 likes, 1K impressions):**



**Anthony Bosignore**

@AnthonyBonsigno

Treasury. FHFA. And now the President of the United States have all openly stated fannie and Freddie must get out of conservatorship. Is this finally the end next month?!?!  
&#128591;#fanniegate \$fnma

4:26 PM - 17 May 2019

- **Bloomberg tweeted (16 retweets, 19 likes, 5M impressions):**



**Bloomberg** ✓

@business

Trump said freeing Fannie Mae and Freddie Mac from government control is a "pretty urgent problem" [bloom.bg/2VHVEW](https://www.bloom.bg/2VHVEW)

4:36 PM - 17 May 2019

- **The LA Times tweeted (10 retweets, 12 likes, 3M impressions):**



**Los Angeles Times** ✓

@latimes

President Trump said freeing Fannie Mae and Freddie Mac from

government control is a “pretty urgent problem” that his administration plans to work with Congress to address.  
[latimes.com/business/la-fi...](https://www.latimes.com/business/la-fi-...)

7:05 PM - 17 May 2019

• **Politico's Katy O'Donnell tweeted (18 retweets, 47 likes, 2.1K impressions):**



**Katy O'Donnell**

@KatyODonnell\_

My Q&A with FHFA Director Mark Calabria:  
[politico.com/story/2019/05/...](https://www.politico.com/story/2019/05/...)

4:02 PM - 17 May 2019

• **FHFA tweeted (3 retweets, 10 likes, 9.6K impressions):**



**FHFA** ✓

@FHFA

RT @FHFA: Come see FHFA Director Mark Calabria at 1:30 p.m., Monday, May 20 @MBAMortgage #MBASecondary19  
[twitter.com/MBAMortgage/st...](https://twitter.com/MBAMortgage/st...)

10:00 AM - 17 May 2019

• **Crain's real estate reporter Alby Gallun tweeted (6 retweets, 10 likes, 2.3K impressions):**



**Alby Gallun**

@agallun

The developer overhauling the Old Main Post Office is close to snagging another big tenant: the Federal Home Loan Bank of Chicago, which is in talks to lease about 125,000 square-feet in the huge landmark structure, reports @DannyEcker @crainschicago  
[chicagobusiness.com/commercial-rea...](https://chicagobusiness.com/commercial-rea...)

12:37 PM - 17 May 2019

## D.C. SCHEDULE

### Today's Events In Washington.

#### White House:

- President Trump — receives his intelligence briefing; holds 'Make America Great Again Rally' in Pennsylvania, to support GOP Pennsylvania congressional nominee Fred Keller.
- Vice President Pence — delivers remarks at a America First Policies event USMCA: A Better Deal for American Workers; tours the P-8 aircraft; delivers remarks to U.S. service members.

#### US Senate:

- Senate convenes and, following Leader remarks, begins a period of morning business; 3:00 PM
- Senate Armed Services subcommittee marks up National Defense Authorization Act – Readiness and Management Support Subcommittee closed markup hearing on 'National Defense Authorization Act for Fiscal Year 2020' \* Conducted at the secret level  
*Location: Rm 232A, Russell Senate Office Building, Washington, DC; 4:00 PM*
- Senate Armed Services subcommittee marks up National Defense Authorization Act – Airland Subcommittee closed markup hearing on 'National Defense Authorization Act for Fiscal Year 2020' \* Conducted at the secret level  
*Location: Rm 232A, Russell Senate Office Building, Washington, DC; 5:00 PM*
- Senate Foreign Relations Committee top secret briefing on Afghanistan – Closed / Top Secret / Sensitive Compartmented Information briefing on 'A Closer Look at the Prospects for Afghan Peace', given by National Intelligence Officer for Afghanistan William Burke; and National Intelligence Officer for Transnational Threats Randall Blake  
*Location: SVC-217, U.S. Capitol Visitor Center, Washington, DC; 5:00 PM*
- Senate Armed Services subcommittee marks up National Defense Authorization Act – Strategic Forces Subcommittee closed markup hearing on 'National Defense Authorization Act for Fiscal Year 2020' \* Conducted at the secret level  
*Location: Rm 232A, Russell Senate Office Building, Washington, DC; 5:30 PM*

#### US House:

- House of Representatives meets for legislative business

*Location: U.S. Capitol, Washington, DC; 2:00 PM*

- House Rules Committee hearing – Hearing on 'H.R. 1500, the Consumers First Act' and 'H.R. 1994, the Setting Every Community Up for Retirement Enhancement Act of 2019'

*Location: H-313, U.S. Capitol, Washington, DC; 5:00 PM*

**Cabinet Officers:**

- No public schedules released.

**Visitors:**

- No visitors scheduled.

**This Town:**

- Oprah Winfrey keynotes ATD International Conference and Exposition – ATD International Conference and Exposition continues, with opening keynote today from TV personality and philanthropist Oprah Winfrey

*Location: Walter E. Washington Convention Center, 801 Mt Vernon Pl NW, Washington, DC;*

*8:30 AM*

- Memorial service for former Rep. Ellen Tauscher – Memorial service at Washington National Cathedral for former Rep. Ellen Tauscher, who died 29 Apr, aged 67, of complications from pneumonia. Tauscher, a Democrat, represented California's 10th Congressional District from 1997 to June 2009, when she stepped down to become Under Secretary of State for Arms Control and International Security Affairs, a position she held until Feb 2012

*Location: Washington National Cathedral, 3101 Wisconsin Ave NW, Washington, DC; 10:00*

*AM*

- U.S. Supreme Court convenes for public non-argument session

*Location: Supreme Court of the United States, Washington, DC; 10:00 AM*

- AEI event with bipartisan Reps. Elijah Cummings and Doug Collins – AEI host a conversation with Democratic Rep. Elijah Cummings and Republican Rep. Doug Collins, 'A fair chance at employment', discussing the 'Fair Chance Act'

*Location: American Enterprise Institute, 1789 Massachusetts Ave NW, Washington, DC; 2:30*

*PM*

- National Coalition for Women with Heart Disease Wenger Awards reception – The National Coalition for Women with Heart Disease hosts 19th annual Wenger Awards reception and dinner. This year's honorees include Democratic Rep. Robin Kelly (Excellence in Public Policy), and CBS News Medical Correspondent Dr Tara Nurula (Excellence in Media)

*Location: Capital Hilton, 1001 16th St NW, Washington, DC; 6:00 PM*

- American Law Institute 96th Annual Meeting – American Law Institute 96th Annual Meeting, with speakers including U.S. Supreme Court Chief Justice John Roberts, former SCOTUS Associate Justice Anthony Kennedy, and Attorney General William Barr

*Location: The Ritz-Carlton, Washington DC, 1150 22nd St NW, Washington, DC*

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FHFA Briefing

**DATE: SATURDAY, APRIL 7, 2018 7:15 AM EDT**

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## FHFA NEWS

### FHFA Urges Industry To Prepare For UMBS Implementation In June 2019. (INSDMORTG, DODD)

[Inside Mortgage Finance](#) (4/5, Subscription Publication) reports in a paywalled article that the "Federal Housing Finance Agency strongly urges the [mortgage] industry to not delay getting ready" for the implementation of the UMBS, which is set to take place on June 3, 2019.

[Dodd Frank Update](#) (4/3) also reports.

### FHFA OIG

#### Law Firm Charged With Overbilling Fannie Mae By Millions. (SUFTIM)

The [Suffolk \(NY\) Times](#) (4/6, 32K) reports Geoffrey Berman, U.S. Attorney for the Southern District of New York, and Rene Febles, deputy inspector general for investigations with the Federal Housing Finance Agency, have charged foreclosure law firm Rosicki, Rosicki & Associates with overbilling Fannie Mae for millions of dollars. The lawsuit accuses the firm of "engaging in a scheme to generate false and inflated bills for foreclosure-related expenses," and seeks triple damages and civil monetary penalties.

### FANNIE MAE AND FREDDIE MAC

#### Fannie Mae Chief Economist Discusses March Jobs Data. (WP, NYT, WSJ, SCOTGUI)

The [Washington Post](#) (4/6, Paquette, 15.03M) reports the Bureau of Labor Statistics on Friday announced "the U.S. economy added 103,000 jobs in March, maintaining a steady track of growth, but wages barely budged." The Post adds "the jobless rate stayed at 4.1 percent, while average hourly pay grew just 2.7 percent from March 2017." The [New York Times](#) (4/6, Casselman, Subscription Publication, 15.96M) reports "March was the 90th consecutive month of job growth, by far the longest streak on record," but it came a month after a "barnburner" report in February saw "companies added jobs at the strongest pace since 2015, and the labor force gained hundreds of thousands of workers." The [Wall Street Journal](#) (4/6, Morath, Subscription Publication, 6.5M) in a front-page article says the March data showed gains in hiring in the manufacturing, mining, and healthcare industries, but declines in the construction sector.

However, the [Scotsman Guide](#) (4/6) reports the construction sector saw a drop of 15,000 jobs in March. The article features commentary from Fannie Mae chief economist Doug Duncan, who suggests the drop "supports the view that the February-March swing in hiring was likely weather-induced noise" and proves that housing is "not immune to the volatility seen lately in other sectors." He adds, "Despite hiccups in some economic activity amid increasingly heated rhetoric on trade, our [housing] growth outlook and our call of three [Federal Reserve interest

rate] hikes this year have not changed, though downside risks appear to be intensifying.”

### **Ginnie Mae Restricts Two Lenders Over VA Loan Churning Practices. (NATMOPRO, MILTIMES)**

[National Mortgage Professional](#) (4/6) reports Ginnie Mae has reportedly restricted two lenders – NewDay and Nations Lending – “followed an investigation of churning practices that targeted military personnel and veterans with unnecessary refinancing.” Both lenders have “issued statements critical of the reported Ginnie Mae decision.” The [Military Times](#) (4/6, 746K) reports both lenders will be blocked from pools of money that are open for other lenders, limiting their ability to offer loans to veterans with low credit scores.

## **HOUSING FINANCE AND INDUSTRY**

### **Rising Rent Pushing Millennials Into Home Ownership. (FORBES)**

Ellen Paris writes at [Forbes](#) (4/6, Paris, 9.91M) about a new survey over 1,000 active homebuyers by Realtor.com that found rising rent trigger 23 percent of millennials to consider home ownership. According to HUD data, “rents were up in 85 of the top 100 metro areas, including nine metros where rents were up by double-digit percentages from a year ago.” Thomas Knapp, Associate Professor of Entrepreneurship at USC Marshall School of Business, also argues that millennials are “ready to settle down.”

### **Consumer Credit Rises By Lowest Amount In Five Months. (BLOOM)**

[Bloomberg News](#) (4/6, Dmitrieva, 3.38M) reports “U.S. consumer debt rose in February by the least in five months as credit-card balances stalled, indicating Americans’ appetite for borrowing waned further after a fourth-quarter shopping spree.” Bloomberg says “the slowdown in revolving debt, which includes credit cards, helps explain why consumer-spending gains remained relatively sluggish in the first two months of the year. Growth in non-revolving debt, which includes education and auto loans, also eased during February.”

### **Student Loan Servicer Asks Court To Settle Licensing Dispute Between Education Dept. And Connecticut. (WP)**

The [Washington Post](#) (4/6, Douglas-Gabriel, 15.03M) reports “the Pennsylvania Higher Education Assistance Agency, a company that manages student loans and grants on behalf of the federal government,” on Wednesday asked the US District Court for the District of Columbia to resolve “a dispute between Connecticut and the U.S. Education Department” over the state’s licensing requirements. According to the Post, “Connecticut has not taken action to suspend the company’s license,” but the Education Department in a recent letter “recommended PHEAA have the Connecticut Department of Banking submit a direct request for the records” and “it would then evaluate whether to turn over the documents based on privacy and freedom of information laws.”

### **JPMorgan To Loan \$600 Million To Construction Group That Includes Kushner Cos. To Build Brooklyn Residential Tower. (BLOOM)**

[Bloomberg News](#) (4/6, Kocieniewski, Melby, 3.38M) reports “an investor group including Kushner Cos. is set to receive a loan of about \$600 million from JPMorgan Chase & Co. to build a residential tower in Brooklyn, New York.” Bloomberg says that “about 95 percent of the planned development project is owned by CIM Group, a private Los Angeles-based investment firm.” Bloomberg adds “the remainder is owned by Kushner Cos. and LIVWRK, a developer that has frequently partnered with the family company of Jared Kushner, son-in-law and senior adviser to President Donald Trump. The two smaller owners would reap half of the \$23 million in fees for developing the building.”

### **DC-Area Democrats Propose Local Legislation To Roll Back Estate Tax Expansion. (WP)**

The [Washington Post](#) (4/6, Jamison, 15.03M) reports D.C.-area Democrats are trying to undo an estate tax expansion in last year’s Republican tax law at a local level. The proposed legislation would cut the exemption to \$5.6 million, generating about \$6.5 million in tax revenue over the coming year. However, the “bill has been held up in the council’s finance committee.”

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FHFA Briefing

**DATE: SUNDAY, MAY 26, 2019 7:15 AM EDT**

## Holiday Message

In observance of the U.S. federal Memorial Day holiday, we will not publish on Monday, May 27, 2019. Service will resume on Tuesday, May 28, 2019. We wish our readers a safe holiday.

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## FANNIE MAE AND FREDDIE MAC

### Mortgage Rates Fall For Fourth Consecutive Week. (FXEMPIRE, AP)

[FX Empire](#) (5/24, Mason) reported that mortgage rates fell for a fourth "consecutive week in the week ending 23rd May," while 30-year fixed rates "fell by 1 basis point following on from a 3 basis point fall from the previous week. The 1 basis point fall took 30-year rates to 4.06% according to figures released by Freddie Mac." The [AP](#) (5/25) also reports.

### Kushner Cos. Lands Loan In Deal Backed By Freddie Mac. (NATMORNW)

The [National Mortgage News](#) (5/24) reported that Kushner Cos., the real estate firm owned by the family of President Trump's son-in-law, Jared Kushner, "received about \$800 million in federally backed debt to buy apartments in Maryland and Virginia" in a loan issued by "Berkadia, a lender co-owned by Warren Buffett's Berkshire Hathaway Inc. and Jefferies Financial Group Inc." The deal is "backed by government-owned Freddie Mac."

## HOUSING FINANCE AND INDUSTRY

### Blue Sage, MGIC Partner To Offer Online Mortgage Insurance Quotes. (DSN)

[DS News](#) (5/24, Albanese) reported that Blue Sage, the developer of "browser-based lending technology designed to provide borrowers with a digital mortgage experience, and Mortgage Guaranty Insurance Corporation (MGIC), a private mortgage insurer, announced the availability of MGIC's mortgage insurance rate quotes and delegated MI service ordering through the Blue Sage Digital Lending Platform."

### Realtor Panel Expects Rising Home Sales In Second Half Of Year. (INSDNOVA)

[Inside NoVa \(VA\)](#) (5/25, 8K) reports that residential-real-estate forum panelists at the 2019 Realtors' Legislative Meetings & Trade Expo believe "continued economic expansion, rising home sales and an increase in wage growth that is on par with home-price growth are some of the expectations for the second half of 2019."

**Trump Discusses Trade Upon Arrival In Japan. (AP, ABC, AFP, NIKASREC, REU, LAT, HILL, BLOOM, BREITBART)**

President Trump and First Lady Melania Trump arrived in Japan on Saturday and the President addressed trade on his first day in the country. Media coverage, which included nearly five and a half minutes combined on the network newscasts, cast Trump as pressuring Japan to reach a trade deal with the US.

Typical of the tone of the reporting, the [AP](#) (5/25, Colvin, Superville) says that Trump "opened [his] state visit to Japan...by needling the American ally over its trade imbalance with the United States," which "underscored the competing dynamics of a state visit designed to show off the long U.S.-Japan alliance and the close friendship between Trump and Japanese Prime Minister Shinzo Abe even as trade tensions run high." [ABC World News Tonight](#) (5/25, story 3, 1:53, Llamas, 3.75M) White House correspondent Tara Palmeri similarly said the President "wast[ed] no time, immediately pressuring Japan to remove trade barriers against American imports." Trump: "Japan has had a substantial edge for many, many years, but that's okay. Maybe that's why you like us so much."

[AFP](#) (5/25, Smith, Carter) says that the President also "vowed to make the US trade relationship with Japan a 'little bit more fair.'" Trump continued that with a bilateral trade deal, "We hope to address the trade imbalance, remove the barriers to United States exports and ensure fairness and reciprocity in our relationship. We're getting close." He added, "We hope to have several further announcements soon and some very big ones over the next few months."

[Nikkei Asian Review \(JPN\)](#) (5/26, Rintaro) reports that as USTR Lighthizer and Japanese Economy Minister Toshiimitsu Motegi "resumed trade talks [on] Saturday with auto tariffs remaining a key sticking point," Trump "said...a major announcement should be expected in the coming months." Trump added Lighthizer and Motegi were "hard at work," and said, "We're getting closer" to reaching an agreement. [Reuters](#) (5/25, White) reports that Motegi told reporters, "We deepened our understanding of each other's positions on trade. However, we're not in complete agreement." He added, "There are still some gaps. We need to work to narrow our differences." Reuters adds Motegi "said there was no discussion of...Trump's decision to declare some auto imports a national security threat."

According to [Reuters](#) (5/25, Mason), the "largely ceremonial visit [was] meant to showcase strong ties with Tokyo even as trade tensions loom." The [Los Angeles Times](#) (5/25, Bierman, 4.64M) reports, "The three-day state visit by the president and First Lady Melania Trump – highlighted by a meeting with Japan's new emperor, Naruhito, and a sumo match – is intended to showcase the U.S.-Japanese alliance, according to the White House, despite Trump's harsh criticism of the \$68-billion trade imbalance in 2017." The Times adds that Japan "has sought to cement closer ties with the Trump administration as...China has grown increasingly assertive in the economies and strategic calculations of other Pacific Rim nations." [The Hill](#) (5/25, Byrnes, 2.98M) reports that Japanese Foreign Affairs Minister Taro Kono "and his wife Kaori, U.S. Ambassador to Japan William Hagerty, Commander of U.S. Forces Japan Lt. Gen. Kevin Schneider, and other Japanese diplomatic officials were on hand for the arrival."

Meanwhile, [Reuters](#) (5/25, Mason) reports that "shortly after [the] red-carpet welcome, Trump attended a reception at" Hagerty's residence "the White House said included Japanese business executives from Toyota, Nissan, Honda, SoftBank and Rakuten." Reuters adds Trump "told the company officials there had never been a better time to invest in the United States and repeated a complaint that the Federal Reserve's policies had kept U.S. economic growth from reaching its full potential." [The Hill](#) (5/25, Byrnes, 2.98M) reports Trump "argued that the stock market would be as much as 10,000 points higher had the [Fed] kept interest rates steady, saying U.S. growth could have also exceeded 3 percent."

[Nikkei Asian Review \(JPN\)](#) (5/26, Takayuki) reports Trump "met with roughly 30 prominent Japanese business leaders...including SoftBank Group Chairman and CEO Masayoshi Son and Toyota Motor President Akio Toyoda." The Nikkei Asian Review adds the President credited SoftBank and Toyota for investing \$1 billion in Uber to help develop autonomous technology and also "thanked Toyota and auto parts maker Denso for their U.S. investments as well." Trump told the business executives, "If you join in seizing the incredible opportunities now before us in terms of investing to the United States, I think you're going to see tremendous return on your investments."

However, [The Hill](#) (5/25, Bowden, 2.98M) reports President the "appeared to rib" Toyota President Akio Toyoda, "and referred to him as 'the boss.'" [Bloomberg](#) (5/25, Epstein, 4.73M) says Toyoda, chairman of the Japan Automobile Manufacturers Association, recently "rebuked Trump's declaration that imported cars and components threaten U.S. national security." Bloomberg notes that "other automaker chiefs invited to the dinner included those from Nissan Motor Co., Honda Motor Co., Mazda Motor Corp. and Subaru Corp."

[Breitbart](#) (5/25, Spiering, 673K) reports Fox News anchor John Roberts [tweeted](#) Trump later and told him that "while he and PM Abe will talk trade today and tomorrow, POTUS will wait until after the July elections in the House of Councillors (Japanese equivalent of the Senate) before really pushing for a deal." [Bloomberg](#) (5/25, Nobuhiro, Yang, 4.73M) reports "many have predicted" the Japanese government will also "take the opportunity to dissolve the more powerful lower house and hold a general election." On Sunday, the President [tweeted](#), "Great progress being made in our Trade Negotiations with Japan. Agriculture and beef heavily in play. Much will wait until after their July elections where I anticipate big numbers!"

## THE BIG PICTURE

### Headlines From Today's Front Pages.

#### New York Times:

[In Baltimore And Beyond, A Stolen N.S.A. Tool Wreaks Havoc](#)  
[A Lesson Of Sandy Hook: 'Err On The Side Of The Victims'](#)  
[Huawei Ban Threatens Wireless Service In Rural Areas](#)  
[In Parliament Elections, Populists Seek To Break The EU From Within](#)

#### Washington Post:

[Fighting Fentanyl](#)  
[In China, Voices From The Vanished](#)  
[E-Verify At Trump Golf Clubs Spurs Firing Binge](#)  
[Absences Challenge Worth Of Montgomery School Diploma](#)  
[A Medieval Quest Made For The Digital Age](#)

#### Story Lineup From Last Night's Network News:

**ABC:** Hawaii-Missing Hiker Found; Severe Weather; Trump-Japan Visit; Border Wall Funding Blocked; France-Lyon Bombing; Los Angeles-Police Chase And Shootout; Finances-Car Bargains; Florida-Highway Police Chase; Oregon-Clerk Fights Off Robber; Aldi-E Coli Outbreak In Flour; China-Man Rescues Falling Child; Illinois-Crossing Guard Honored.

**CBS:** Severe Weather; Hawaii-Missing Hiker Found; O'Rourke-Iran Comments; Trump-Japan Visit; Washington-Poppy Wall Of Honor; West Point Military Academy-Most Diverse Graduating Class; Washington-Spy Museum Reopens; Custom Doll Making.

**NBC:** Severe Weather; Hawaii-Missing Hiker Found; Trump-Japan Visit; Bolton-North Korea Missile Test; US-Iran Tensions; Border Wall Funding Blocked; Everest-New Hiker Deaths; Bali-Volcano Eruption; Nike-Pregnant Athletes Controversy; China-Outbreak Causes Rising Pork Prices; Bruege-Alzheimer's Care; South Africa-President Inauguration; Colorado-Rock Slide; Indy 500-Mario Andretti.

#### Network TV At A Glance:

Hawaii-Missing Hiker Found – 7 minutes, 40 seconds

Trump-Japan Visit – 5 minutes

Border Wall Funding Blocked – 1 minutes, 45 seconds

## D.C. SCHEDULE

### Today's Events In Washington.

#### White House:

- President Trump — attends the sumo wrestling cultural program; participates in a couples dinner with the Prime Minister of Japan and Mrs. Abe.
- Vice President Pence — no public events scheduled.

#### US Senate:

- Senate not in session.

#### US House:

- House not in session.

#### This Town:

- [NAFSA: Association of International Educators Annual Conference & Expo](#) – NAFSA: Association of International Educators Annual Conference & Expo, titled 'Global Leadership, Learning, and Change'. Speakers include former Secretary of State Madeleine Albright and former National Security Advisor Colin Powell

*Location: Walter E. Washington Convention Center, 801 Mount Vernon Pl NW, Washington, DC*

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FHFA Briefing

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- Fed Wrestles With Dual Reality Of Low Inflation, Low Unemployment. (NYT, WSJ, REU)

### FANNIE MAE AND FREDDIE MAC

#### Jared Kushner's Firm Seeks Arrest Of Maryland Tenants To Collect Debt. (BSUN)

The [Baltimore Sun](#) (8/12, 703K) reports that an investigation into Kushner Cos. Holdings operating in Maryland found that "corporate entities affiliated with the firm's 17 apartment complexes in the state have sought the civil arrest of 105 former tenants for failing to appear in court to face allegations of unpaid debt." That's more than any other landlord in the state over that time, an analysis of Maryland District Court data shows. Court records show that 20 former Kushner tenants have been detained. According to the article, "Kushner Cos. acquired most of its Maryland apartment complexes with \$371 million in financing from Freddie Mac. ... Freddie Mac documents show that the average occupancy rate for 14 of the complexes stood at 95 percent. Revenues of nearly \$90 million brought \$30 million in profit after taxes, expenses and mortgage payments, the records show."

#### HUD Study Shows Worst-Case Housing Needs Approach Record Levels. (CTYLAB)

[Atlantic's CityLab](#) (8/16, 121K) reports that a new analysis from the US Department of Housing and Urban Development shows that "the number of American households facing worst-case housing scenarios is returning to the record crisis levels seen during the foreclosure crisis," with 8.3 million households suffered extreme housing conditions in 2015, an increase of more than 580,000 households over 2013. The article pints out that the Trump Administration's budget proposal eliminates the national Housing Trust Fund, a national program designed specifically to provide housing aid to America's lowest-income households. CityLab explains, "The Housing Trust Fund's novelty lies in how it's funded. It's not a taxpayer-subsidized program; instead, a fraction of sales through Fannie Mae and Freddie Mac (4.2 basis points, or 0.042 percent) gets set aside for the Housing Trust Fund. In 2016, its first fully operational year, the fund distributed \$174 million to housing agencies all around the country. With a buoyant economy, that figure climbed to \$219 million for 2017."

#### Millennials Are Concerned About Affordability When Buying A Home. (NATMORNW)

The [National Mortgage News](#) (8/16) reports that a new survey from LoanDepot shows that affordability issues and a lack of knowledge about home buying are holding millennials back from pursuing homeownership. About half of the surveyed millennials are anxious about real estate and mortgage payments, and only 18 percent feel they can afford to purchase a home. "It's clear from the survey results that millennials have a lot of anxiety built up about the home-buying process," said David Norris, LoanDepot's head of retail lending, in a press release. "There is good news, however, as there's more flexibility than most millennials think regarding how to qualify for a loan and what's needed for a down payment," he added. The article notes that while the industry standard for a down payment is still 12 percentage points lower at 20 percent down, there are still other options available. "Fannie Mae and Freddie Mac opened the door for 3% down payment programs back in 2014, prompting big banks and other institutions to follow suit," the article adds.

## HOUSING FINANCE AND INDUSTRY

### **Housing Starts Fell By 4.8% In July, Missing Forecast. (BLOOM)**

[Bloomberg News](#) (8/16, Jamrisko, 3.08M) reports the Commerce Department announced this morning that housing starts fell by 4.8 percent to a 1.16 million annualized rate in July "on an abrupt slowdown in apartment construction and a modest decline in single-family homebuilding that shows the industry will do little to spur the economy." Economists surveyed by Bloomberg had forecast an annualized rate of 1.22 million starts. Starts on multifamily homes fell by 15.3 percent, single-family homes by 0.5 percent, and building permits by 4.1 percent to a 1.22 million annualized rate. Bloomberg says, "While staying close to an almost 10-year high, the pace of one-family homebuilding is being held back by labor and lot shortages, according to construction firms. At the same time, builders remain optimistic that the market will benefit from strength in the job market and cheap borrowing costs."

### **US Home Refinancing Applications Rise To A Near Two-Month High. (REU)**

[Reuters](#) (8/16) reports that US applications for home refinancing climbed to their highest level in nearly two months last week with their share of total housing loan requests reaching the biggest since February, as home borrowing costs fell, the Mortgage Bankers Association said on Wednesday. The MBA's seasonally adjusted index on mortgage refinancing activity increased 1.6 percent to 1,455.9 in the week ended August 11, 2017. This was the strongest reading since 1,526.8 in the week ending June 16, 2017. The refinancing share of total applications rose to 47.8 percent from 46.7 percent the previous week.

### **Small Business Administration Chief Sees Hurdles In Lack Of Loans, Workers. (AP)**

The [AP](#) (8/16, Rosenberg) reports that Small Business Administration head Linda McMahon "sees a split among small business owners – they are increasingly optimistic, she says, but many are held back by their inability to get loans or find the right workers for jobs that are staying open." The article quotes McMahon saying, "Entrepreneurs are willing again to be bigger risk-takers than they have been over the past eight years," but she adds that "there are also lingering effects of the Great Recession, and 'I think there is still a caution.'" The article notes that a report "issued by Treasury Secretary Steven Mnuchin in June proposed relaxing some of Dodd-Frank's requirements, including those on smaller banks."

### **State Regulators Discussing Single Regulatory Structure For Fintech Companies. (AMBNKR)**

Responding to the prospect of a new federal fintech charter, state regulators are discussing ways to form "a single regulatory structure for fintech companies that are seeking regional or national business," [American Banker](#) (8/16, Clozel, Subscription Publication, 22K) reports, Bryan Schneider, the "head of Illinois' financial regulator and chairman of a multistate regulatory task force focused on fintech," is quoted saying, "Our goal is uniformity across the United States." The Office of the Comptroller of the Currency "announced last year that it was developing a specialized national bank charter that would allow fintech companies to benefit from federal preemption over state laws." Schneider is also quoted saying, "The Office of the Comptroller of the Currency has gotten ahead of itself. ... State regulation is more accessible to industry and to consumers and therefore has significant benefits over federal regulators."

### **Trump Disbanding Business Councils Takes Pressure Off Dimon. (BLOOM)**

[Bloomberg News](#) (8/16, 3.08M) reports that President Trump on Wednesday disbanded two White House advisory groups composed of business executives after some of them had already left the group and "less than an hour after one of the groups was said to be planning to inform the White House that it would disband." Trump said on Twitter, "Rather than putting pressure on the business people of the Manufacturing Council & Strategy & Policy Forum, I am ending both. Thank you all!" The decision "will take the heat off Jamie Dimon, CEO of JPMorgan Chase, who served on President Trump's strategic and policy forum and had drawn criticism during the year for sticking with it despite numerous White House controversies."

### **Fiduciary Rule Critics Say Retirement Savers Losing Money, Have Fewer Options. (BLOOMCD)**

[Bloomberg Business](#) (8/16, 3.08M) reports the main thrust of the Department of Labor's fiduciary rule "took effect on June 9," and "there's no going back." Bloomberg says the rule "has exposed an intolerable conflict of interest: Brokers are paid by the mutual funds they recommend to clients." Yet, critics say "that retirement savers are paying more and have fewer investment options."

### **Factory Workers Quitting Jobs As Fastest Pace In 10 Years. (WP)**

Under the front-page headline "Trump Tried To Save Their Jobs. These Workers Are Quitting, Anyway," the [Washington Post](#) (8/15, A1, Paquette, 12.92M) reports that at a time when the Administration "argues that creating manufacturing jobs is a critical national goal — even coordinating with states on generous subsidy packages to woo blue-collar employers — many factory workers are making a surprising decision: They're quitting." Even after President Trump "made his job at Carrier a symbol of American prosperity and vowed to save it," Kipp Glenn, a 25-



year employee of the company, "took a buyout." According to the Post, "government data shows workers in the sector are giving up their jobs at the fastest pace in a decade." Economists say workers "think they can find work elsewhere," boosted by the nation's 4.3 percent unemployment rate, "but they say they also fear robots zapping jobs in the future, while many workers have tucked away savings from union-championed raises and retirement benefits."

#### **Federal Reserve Nominee Landon One Of Many Top Government Vacancies. (REU)**

[Reuters](#) (8/16, Spicer) reports that there are "more vacancies than ever at the top of the U.S. federal government." Reuters highlights Federal Reserve nominee Allan Landon, who prepared for his job "for two-and-a-half years during the Obama administration before his nomination sank into the partisan quicksand of Washington D.C., a swamp which has only deepened under President Donald Trump." Reuters says Landon "sold assets, stepped back from university lecturing and corporate boards, met Fed Chair Janet Yellen and U.S. Treasury Secretary Jack Lew, and even attended a Senate confirmation hearing to study for his own." A "dearth of nominations by Trump, hearings delayed by Democrats, and disinterest by prospective candidates has left most of the 577 key federal government positions requiring Senate confirmation unfilled."

#### **Williams: Fed's Interest Rate "Half Way There" In Raising Interest Rates. (CNN, CNNMONEY, REU)**

[CNN](#) (8/16, Gillespie, 44.83M) reports that the Fed's key interest rate has been hovering around 1.25%. But San Francisco Fed President John Williams "said 2.5% would be normal." Williams is quoted saying, "We do need to see some more rate increases over the next couple years to get us to this normal level. ... We're probably about half the way there in terms of raising short-term interest rates." [CNN Money](#) (8/16, 3.59M) reports that Williams "said gradual increases will get the key interest rate to a normal level of 2.5% 'over the next couple years.'"

[Reuters](#) (8/16) briefly reports.

#### **Mester Says Still Need To Raise Rates. (REU, MNIN)**

[Reuters](#) (8/16, Spicer, Schneider) reports Cleveland Fed President Loretta Mester said in an interview "that while some price readings have fallen this year, expectations are more stable, adding that monetary policy must anticipate changes in the data and not react to temporary aberrations." She "said there is roughly an equal chance that the Fed is forced to raise rates more or less aggressively than currently planned in the months and years ahead." Mester is quoted saying, "I am not there yet. I still think we need to start bringing back some of the accommodation' by raising rates and pressing forward with plans to reduce the size of the Fed's asset holdings." [MNI News](#) (8/16) reports Mester said "that softer recent inflation readings has not convinced her the Fed should delay plans for further interest rate hikes."

#### **Fed Wrestles With Dual Reality Of Low Inflation, Low Unemployment. (NYT, WSJ, REU)**

The [New York Times](#) (8/16, Appelbaum, Subscription Publication, 14.49M) reports that a growing number of Federal Reserve officials "see the pattern" of the US economy's low unemployment and low inflation "as proof that the Fed needs to adjust its assumptions" that the phenomenon will fade away with a rise of inflation by next year, according to an account the Fed released Wednesday of its most recent meeting in July. The account "said most officials continued to regard low unemployment as the most important factor" and that many officials "remain inclined to raise the Fed's benchmark rate later this year." But some officials "see evidence that the low unemployment rate overstates the health of the job market, and therefore that the Fed should wait to raise interest rates."

The [Wall Street Journal](#) (8/16, A1, Harrison, Subscription Publication, 6.99M) reports that some officials suggested the Fed could delay rate increases because it "could afford to be patient under current circumstances" while others warned that waiting too long "could result in an overshooting of the [Fed's] inflation objective that would likely be costly to reverse." Despite disagreements over the precise timing of rate increases amid confusion over persistently weak inflation, officials did agree to begin soon the process of reducing the central bank's \$4.5 trillion balance sheet, perhaps starting at the Fed's next meeting on September 19 and 20.

[Reuters](#) (8/16) reports in the minutes released on Wednesday, "policymakers had a lengthy discussion about a recent streak of soft inflation readings." Inflation has "remained below the central bank's 2 percent target for more than five years." The Fed said in the minutes, "Many participants ... saw some likelihood that inflation might remain below 2 percent for longer than they currently expected, and several indicated that the risks to the inflation outlook could be tilted to the downside."

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FHFA Briefing

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## FHFA NEWS

### **FHFA Ending Its Monthly Interest Rate Survey; Last Report Shows Mortgage Rates Fell In April. (NATMOPRO, MREP, ZACKINV, BELLH, ALPHA, CREDITUT)**

[National Mortgage Professional](#) (5/29) reports FHFA "announced it will discontinue its Monthly Interest Rate Survey, with April's statistical update as its last." FHFA "explained that it was shutting down the survey 'due to dwindling participation.'" In its final report, the FHFA "noted the National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders Index was 4.15 percent for loans closed in late April, down 21 basis points from 4.36 percent in March. The average interest rate on all mortgage loans was 4.20 percent, down 24 basis points from 4.44 in March." The "effective interest rate on all mortgage loans was 4.31 percent in April, down 20 basis points from 4.51 in March, while the average loan amount for all loans was \$334,700 in April, up \$9,600 from \$325,100 in March."

**Continuing Coverage: FHFA House Price Index Shows 'Softening' Price Growth.** [M Report](#) (5/29, Albanese) provides similar coverage, adding that earlier this week, FHFA "reported...that home prices rose 1.1% in Q1 2019 from Q4 2018." FHFA Supervisory Economist Dr. William Doerner said, "Although price growth is still positive, the upward pace is softening across the country, especially among states with the largest supplies of housing." Providing continuing coverage of latest FHFA's House Price Index are [Zack's Investment Research](#) (5/30, 96K), the [Bellingham \(WA\) Herald](#) (5/29, 78K), and [Seeking Alpha](#) (5/29, Worstall, 512K), as well as [Credit Union Times](#) (5/29, 26K), behind a paywall.

### **'Cyber Escape Rooms' Catching On At FHFA, Other Government Agencies. (DEFSYS)**

[Defense Systems](#) (5/29, 93K) reports the Massachusetts Army National Guard is "building a cyber and network security-themed escape room it can take to schools to get students interested in cybersecurity." According to Defense Systems, "Federal agencies have used the escape room idea to reinforce cybersecurity hygiene for employees. In March, the Federal Housing Finance Agency awarded a contract for cyber-themed escape room training at its headquarters, customized to FHFA IT and security policies. The National Geospatial-Intelligence Agency ran similar exercises last fall."

## **Bloomberg Hosting Webinar Regarding Launch Of UMBS. (BLOOMCD)**

[Bloomberg Business](#) (5/29, 4.73M) provides a rundown of the upcoming launch of the UMBS, "an initiative spearheaded" by the FHFA that will "see Fannie Mae and Freddie Mac no longer issue separate securities into their own TBA markets, but instead issue a single security into a common market." According to Bloomberg, "Ultimately, the goal of the FHFA is that the prices of Freddie Mac and Fannie Mae MBS will converge once they are deliverable into the same TBA contract. We have seen forward trading of UMBS, which has been underway for several months and so far has been embraced by the market." Bloomberg adds, "With June 3 just around the corner, Bloomberg will be hosting a webinar to review our latest updates, which you can register for by clicking [here](#)."

## **Continuing Coverage: FHFA Hires Merchak, Jones, Fisher, Grinney. (POLITICO, MPA)**

[Politico](#) (5/29, White, Weaver, 4.29M) reports in its morning rundown that Katy O'Donnell reported, "The Federal Housing Finance Agency announced Tuesday that Sarah Dumont Merchak, a former Senate Banking Committee staffer, will join the agency as its director of Legislative Affairs."

[Mortgage Professional America](#) (5/29, Mendoza) reports, "The Federal Housing Finance Agency (FHFA) has appointed Clinton Jones as senior advisor for legal affairs and policy, Lynn Fisher as senior advisor for economics, and Matt Grinney as senior communications and policy advisor."

## **FANNIE MAE AND FREDDIE MAC**

### **Freddie Mac Report Highlights A Rise In Fraudulent Academic Records, Employment Information In California. (NATMORNW)**

[National Mortgage News](#) (5/29, Sinnock) reports Freddie Mac "uncovered a growing number of fraudulent school records and work histories in California, where Fannie Mae also has noted increasing instances of falsified employment information." An "unnamed Freddie Mac investigator said in a recent report" that the GSE is "seeing an increase in false claims of higher education." The report uncovered "many" instances of falsification, and Freddie Mac "recommends underwriters double-check submitted information." The report said, "Underwriters often don't think they can contact a college or university to verify attendance and/or graduation dates. It's a simple step toward confirming that a borrower truly graduated. If an institution has a policy against sharing this information it will let you know." According to NMN, "Fannie Mae warned lenders last year that it had uncovered a growing number of California loan files with false borrower information in them related to employment."

### **Fannie Mae's Duncan Chats With Diana Olick About Bond Market, Housing, And Mortgage Rates. (CNBC EXCH)**

In a segment of [CNBC The Exchange](#) (5/29, 1:55 p.m. EDT, 185K), Fannie Mae Chief Economist Doug Duncan chatted with CNBC's Diana Olick about the state of mortgage rates, the bond market, and the housing market amid an escalation in trade tensions that sparked yet another stock selloff. According to Olick, despite rates declining for weeks, the housing market has been "pretty boring" as of late. Duncan says that lower rates do not help buyers if they still are unable to find a house in their price range. At the lower end of the housing market, a shortage of inventory has kept many hopeful homebuyers sitting on the sidelines.

### **Investors Worry Prepayment Speeds Will Increase With Rally In Rates. (BLOOM, WP)**

[Bloomberg](#) (5/29, Maloney, 4.73M) reports mortgage prepay speeds "may rise with the strong US rate rally," causing "alarm for mortgage investors. Aggregate prepayment speeds for the Fannie Mae 30-year universe have risen by 10%, 25% and 24% over the last three reports." Now, with the 10-year Treasury yield pushed down to 2.21 percent – its lowest level since September 2017 – and Freddie Mac's 30-year mortgage rate "lower for four consecutive weeks," the rally "may spark more refinancings if sustained." The [Washington Post](#) (5/29, Heath, 14.2M) reports the 10-year Treasury yield "hit a 20-month low Wednesday and fell below the yield" on the three-month T bill.

### **Expanded-Credit Originations Decline For Another Quarter. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/29, Ivey, Subscription Publication) reports, "Originations of expanded-credit mortgages declined for the second quarter in a row at the end of March." Almost "every expanded-credit mortgage producer among the top 15 had lower originations on a sequential basis. Trends were more mixed when compared to 1Q18, as industry-wide, expanded-credit production improved by 4.1%. Overall, an estimated \$10.2 billion of EC loans were originated in 1Q19," includes non-QMs, nonprime mortgages, "loans with alternative documentation," and "any other non-jumbo loans not eligible for sale to Fannie Mae, Freddie Mac or Ginnie Mae." Meanwhile, non-QM demand was "weaker" in 1Q19 compared with 4Q18, "according to a Federal Reserve survey of 58 banks that offer non-jumbo non-QMs." Approximately 29.3 percent of these banks "reported weaker demand," while "12.1% saw stronger demand."

### **Wells Fargo, SunTrust, PNC Catering To Growing Demand For Multigenerational Homes. (WSJ)**

The [Wall Street Journal](#) (5/30, McLaughlin, Subscription Publication, 7.57M) reports Wells Fargo FHFA-19-0753-A-000187



SunTrust, and PNC Bank are now offering products that cater to borrowers wanting to live in multigenerational homes. In January, for example, Wells Fargo lowered its down payment requirement for those purchasing duplexes to five percent for loans conforming to Fannie Mae and Freddie Mac guidelines.

#### **Union Bank Considers Using VR For High-Value Home Appraisals. (NATMORNW)**

[National Mortgage News](#) (5/29, Hintze) reports Union Bank is "considering applying VR to enable appraisals of high-value homes, potentially saving customers money and shortening the loan-approval process." Fannie Mae and Freddie Mac "already support automated valuations for mortgages conforming to their lending standards, replacing physical inspections with data that describes the neighborhood and the price range of similar loans. Much of Union Bank's mortgage lending business, however, is in California and up the West Coast, where very high priced homes typically require nonconforming jumbo mortgages."

#### **Consolidated Analytics Hires Josh Fuchs As SVP. (HOUSEWR)**

[HousingWire](#) (5/29, Guerin, 23K) reports Josh Fuchs has been hired to serve as Consolidated Analytics' SVP of Product Development and Sales in its residential valuations division. Fuchs joins to company from Goldman Sachs, here he served as VP and head of residential valuation. Before he arrived at Goldman, Fuchs "worked at JPMorgan Chase, ISGN and Fannie Mae."

#### **Continuing Coverage: CFPB Releases Spring Rulemaking Agenda. (DSN)**

[DS News](#) (5/29, Welborn) reports the CFPB "released its Spring 2019 rulemaking agenda," including a "follow up on an interpretive and procedural rule that it issued in August 2018 to provide clarification" regarding HMDA amendments that created "partial exemptions that allow certain insured depository institutions and insured credit unions not to report certain data points for some transactions." The CFPB also "[said] that it will be focusing its attention on the Qualified Mortgage 'Patch' on loans that are eligible to be purchased or guaranteed by either Fannie Mae or Freddie Mac."

#### **Continuing Coverage: Kushner Cos Receives \$800M In Freddie Mac Financing For MD, VA Apartments. (SALON, KGOAM)**

[Salon](#) (5/29, 88K) reports, "Kushner Cos., Bloomberg News is reporting, has received \$800 million in federally backed debt to purchase apartments in Virginia and Maryland." The loan, "according to Bloomberg News, was issued by Berkadia...and the deal is backed by government-owned Freddie Mac."

In a [KGO-AM](#) San Francisco (5/28, 2:12 p.m. EDT, Owens, 12K) radio segment, host Ronn Owens suggested that the deal is an example of the Administration giving preferential treatment to members of the Trump family. Owens said, "Jared Kushner just made a huge deal to get government-backed funds – federal loans – for a huge real estate deal. ... Kushner has had his eyes on this deal for some time. ... Well now, Kushner companies get \$800 million in Freddie Mac loans for their mid-Atlantic portfolio. ... As taxpayers, we're in business with Jared Kushner."

#### **Continuing Coverage: NAHB, Freddie Mac Research Highlights Affordability Strain For Both Buyers And Renters. (MREP)**

[M Report](#) (5/29, Welborn) says the NAHB's latest Home Building Geography Index indicated housing affordability is a "growing issue," with exurbs absorbing an influx of residents who are priced out of more expensive, urban metros. M Report says, "Affordability is not only a problem for homeowners in many metro areas, but renters as well. According to Freddie Mac, the largest metro areas are the most rent-burdened." Freddie Mac Multifamily VP said, "Rental affordability is a significant challenge for metropolitan areas across the United States. The vast majority of the units Freddie Mac finances are affordable. Even so, our research shows that supply just hasn't kept pace with demand in many metros, and that's pushing affordable rents out of reach for millions of American families."

#### **Continuing Coverage: Freddie Mac Lowers Its Mortgage Rate Forecast For 2019, 2020. (MORTR)**

The [Mortgage Reports](#) (5/29, 26K) reports Freddie Mac's May 15 mortgage rate forecast "contained good news for homeowners and homebuyers alike," because "it revealed that its team of specialist economists is optimistic" and believe that "mortgage rates will probably rise only a little between now and the end of 2020."

#### **Continuing Coverage: Freddie Mac Signs Lease For Tysons Corner Building. (COMOB)**

[Commercial Observer \(NY\)](#) (5/29) reports, "Expanding its presence in Northern Virginia, Freddie Mac has signed a lease for the entire Centerstone at Tysons building located at 1550 Westbranch Drive" in Tysons Corner, Virginia. Freddie Mac's "150,000-square-foot lease was first reported by The Washington Business Journal. Freddie Mac's headquarters is located less than a mile away from the new building."

#### **Continuing Coverage: CPC Launches Subsidiary Focusing On Affordable Housing Lending. (MHN2)**

[Multi-Housing News](#) (5/30, Calugar) says the "need for low-income units is widespread," and

housing affordability is an issue both in “large coastal metros” and “second-tier markets.” Funding is among the “most important” barriers for the sector to overcome, and private capital “is not enough to sustain the affordable housing sector.” MHN reports, “In February, [Community Preservation Corp.] launched a subsidiary that focuses on the lending business. CPC Mortgage Co. was first introduced at CREF in San Diego. The newly created firm provides a suite of Freddie Mac, Fannie Mae and Federal Housing Administration products for the acquisition, refinancing, rehabilitation and construction of small multifamily properties.”

## FHLBANKS

### FDIC Releases Q1 Quarterly Banking Profile. (AMBNKR)

[American Banker](#) (5/29, Adler, Finkle, Subscription Publication, 31K) reports on five “takeaways” on the industry’s health from the FDIC’s Q1 report. First, “Total loan and lease balances fell slightly from the prior quarter.” Second, “Net income grew nearly 9% from a year earlier.” Third, “Community bank loan growth outpaced the industry at large.” Fourth, “Noncurrent, charge-off rates remain unchanged.” And fifth, Q1 saw the “largest decline in FHLB advances” since 1Q10.

## HOUSING FINANCE AND INDUSTRY

### MBA: Mortgage Applications Fell 3.3 Percent This Week Due To Trade Tensions. (HOUSEWR, NATMORNW, MORTND, MORTORB)

[HousingWire](#) (5/29, Lloyd, 23K) reports, “According to MBA’s weekly Mortgage Applications Survey” released Wednesday, on an unadjusted basis, the Market Composite Index “fell 3.3% from the previous week.” The Refinance Index fell 6 percent, while “the unadjusted Purchase Index slid 3% from a week ago but remained 7% higher than the same week in 2018.” The refinance share fell from 40.5 to 39.7 percent. The FHA share rose from 9.4 to 9.6 percent, while the VA share rose from 11.0 to 11.2 percent. The ARM share fell from 6.8 to 6.6 percent. The average rate for conforming 30-year FRMs “held steady at 4.43%,” while that for jumbo balances fell from 4.24 to 4.18 percent. The 15-year FRM average fell from 3.78 to 3.73 percent. The 5/1 ARM average rose from 3.57 to 3.74 percent.

[National Mortgage News](#) (5/29, McCullom) reports MBA AVP Joel Kan said, “Concerns over European economic growth and ongoing uncertainty about a trade war with China were some of the main factors that kept mortgage rates low last week. Even with lower rates on three of the five surveyed loan types, refinance activity fell 6%, essentially reversing an 8% increase the week before. Purchase applications decreased for the third straight week, but remained more than 7% higher than a year ago. It is possible that the trade dispute is causing potential homeowners to hold off on buying, with the fear that further escalation – or the lack of resolution – may have adverse impacts on the economy and housing market.”

[Mortgage News Daily](#) (5/29, Swanson) and [Mortgage Orb](#) (5/29, Barnard) provide similar coverage, but they report that the Market Composite Index fell 4.0 percent on an unadjusted basis, and 3.3 percent on a seasonally adjusted basis.

### MBS Daily Trading Volume Drops, With Investors Concerned About Rates And Prepay Speeds. (INSDMORTG)

Behind a paywall, [Inside Mortgage Finance](#) (5/29, Muolo, Subscription Publication) reports, “The average daily trading volume in agency MBS totaled \$249.9 billion in April, the second weakest reading of the year, but a decent margin above yearly averages dating back to 2012, according to figures compiled” by SIFMA. The “strongest MBS trading month of the year came in March at \$269.9 billion.” January’s reading was \$251.5 billion. The “increased volume” is in part “indicative” of the Fed’s “reduced role in the market as a buyer of agency securities as the central bank moves to normalize its balance sheet.” Meanwhile, publicly traded REITs, megabanks and others “have stepped up their participation as investors in agency product. Foreign wealth funds – especially those in Asia – have backed off a bit, wary of the US trade war with China and what it might mean for MBS.”

### Analysts Expect More Banks To Pull Back Or Exit National Mortgage Lending. (AMBNKR)

[American Banker](#) (5/29, Prior, Subscription Publication, 31K) reports, “It’s no secret the mortgage business has been tough lately, but bankers who have downsized in home lending say it’s no fad – they (and others) predict the slim profits are here to stay and that more banks will follow their lead in scaling back.” JPMorgan CEO Jamie Dimon, in his annual letter to shareholders, said that burdensome regulations are making him question “whether or not” banks should even be in the home lending business. Some analysts believe that many banks will opt to scale back their operations and revamp their lending strategy, rather than completely exit the industry. While KBW analyst Bose George “said everyone is waiting to see whether Dimon follows through,” banks “already have” left around “85% of loans underlying mortgage bonds guaranteed by Ginnie Mae” to nonbanks.

### Zillow Survey: Mortgage Payments Are Millennials’ Top Source Of Buyer’s Remorse. (NATMORNW, MREP, REALTR)

[National Mortgage News](#) (5/29, Centopani) reports, “With the starter home inventory shortage

pressuring first-time homebuyers to act, four out of five millennial purchasers lament at least one aspect of their mortgage, according to Zillow." Millennials "resented high mortgage payments most of all," with about 30 percent having "expressed dissatisfaction with their payments versus 12% of buyers aged 55 years and up, the Zillow Housing Aspirations Report found." However, "Despite the reservations, only 8% of Americans across all age groups regretted purchasing a home instead of renting." According to [M Report](#) (5/29, Welborn), aside from mortgage payments, respondents also regretted "feeling rushed during the mortgage process, high interest rates, type of mortgage, and simply deciding to buy a home instead of renting." [Real Trends Blog](#) (5/29) provides similar coverage.

#### **Study: Millennials Buying Homes At Slower Rates Than Parents, Grandparents At Same Age. (CNBC)**

[CNBC](#) (5/29, Fox, 3.62M) reports a study by Chase Home Lending found that 52 percent of millennial first-time homebuyers "feel financially ready to buy a home," while "70 percent said they are willing to cut back" on shopping and attending movies, among other things. While NAR has found the millennials are the largest homebuyer demographic, their "homeownership rate is lower than that of their parents and grandparents at the same age," according to Urban Institute research. Meanwhile, Zillow has found the price of starter homes have risen by 57.3 percent in the last five years "while inventory has dropped by 23.3 percent."

#### **Survey Highlights Barriers To Homeownership For Young Americans. (MREP)**

[M Report](#) (5/29, Albanese) reports, "A recent survey by Freedom Debt Relief concluded that 28% of Americans said the biggest barrier to buying a home in 2019 is the cost of a down payment." Among millennials, 39 percent "said the cost of the down payment was the biggest barrier." Additional barriers cited by respondents include "a lack of savings (27%), the cost of a monthly payment (26%), and the amount of debt they had (19%)." Among Gen Z respondents, 43 percent "consider the lack of overall savings to be the biggest barrier. Thirty-six percent said the monthly payment was the biggest barrier and 35% said it was the down payment."

#### **Morningstar Acquiring DBRS For \$669M. (NATMORNW, HOUSEWR, INSDMORTG, SCOTGUI)**

[National Mortgage News](#) (5/29, Fest) reports Morningstar is "aiming to build out its diversified global credit-ratings coverage, including an influential voice in emerging esoteric and green-bond asset classes, through a \$669 million purchase of rival DBRS," the world's "fourth-largest credit ratings agency."

[HousingWire](#) (5/29, Guerin, 23K) reports Morningstar "said the merger will expand its global asset coverage and provide its investors with an enhanced platform for fixed-income analysis and research." Together, the two companies "will become the largest ratings agency" for US MBS. Behind a paywall, [Inside Mortgage Finance](#) (5/29, Muolo, Subscription Publication) reports the sale is "expected to close early in the third quarter." Until then, "the two rating services will continue to rate deals separately and under their own names."

[Scotsman Guide](#) (5/29, Aurellano) reports, "Morningstar's cash flow stands to benefit greatly from the addition of DBRS. According to a statement from Morningstar, if it had owned DBRS at the end of last year, credit-ratings revenue would have represented about 17 percent of Morningstar's total revenue."

#### **Barclays Returning To MBS Market. (AMBNKR)**

In its Morning Scan, [American Banker](#) (5/29, Yacik, Subscription Publication, 31K) reports, "A year after it paid \$2 billion to settle" US charges "that it sold" toxic MBS in the "run up to the 2008 financial crisis," Barclays "is betting a return to that market can bring in bumper revenues to fortify its investment bank." Barclays has "assembled a team of over 140 securitization bankers and traders with plans to hire more as investors clamor for the higher returns such deals offer compared with traditional stocks and bonds. The success of that bid would [also] be a huge fillip for Barclays Chief Executive Jes Staley, who is in a race against time to increase investment banking profits and vindicate his faith in a business that an activist investor argues should be cut back."

#### **Blackstone Sells More Than \$1B Of Invitation Homes Shares, With Rising Rents Sending Price To A Record High. (WSJ)**

The [Wall Street Journal](#) (5/29, Dezember, Subscription Publication, 7.57M) reports Blackstone on Tuesday sold more than a billion dollars of shares of Invitation Homes, which it launched during the financial crisis. Currently, Invitation Homes shares are trading at a record high, with rents rising and strong demand for rentals.

#### **SoFi Brings In \$500M In Funding With Heavy Investment From Qatar. (HOUSEWR, BLOOM)**

[HousingWire](#) (5/29, Lane, 23K) reports SoFi "has raised nearly \$2 billion over the last few years" and is now "broadening its investor base even more," having "announced Wednesday that it raised more than \$500 million in equity financing led by Qatar Investment Authority, the sovereign wealth fund of Qatar. ... According to SoFi, the latest funding values the company at \$4.3 billion," and the "new funding brings its total capital to \$2.3 billion." [Bloomberg](#) (5/29, Verhage, 4.73M) also provides brief coverage.

**Declining Rates, Concern Over MSRs Fuel Sell-Off Of Mr. Cooper Stock. (INSDMORTG)**

Behind a paywall in its Short Takes, [Inside Mortgage Finance](#) (5/29, Muolo, Subscription Publication) reports Mr. Cooper's share price "has not been doing well as of late," perhaps due to "declining interest rates." According to a "new research report from Wedbush Securities," the stock's sell-off is tied to "concerns about the impact of falling rates on the value of the company's mortgage servicing rights and book value." IMF reports Wedbush "says Mr. Cooper does not hedge its MSR portfolio, while banks and some large nonbanks (PennyMac) do." Wedbush said, "Our back-of-the-envelope analysis suggests that with 5-10 year rates down 25 bps since March, the company will report a GAAP loss of \$1.50 to \$2.00 per share and that tangible book value will decline to approximately \$15 per share."

**Dubai Rolls Out Blockchain-Based Mortgage System. (NATMOPRO)**

[National Mortgage Professional](#) (5/29, Hall) reports, "While blockchain technology is slowly making its way into the US mortgage industry, it has already taken root and blossomed in the United Arab Emirates (UAE)." Dubai's Land Department and UAE lender Mashreq Bank have reportedly "launched a blockchain-based electronic mortgage system designed to increase the speed of the home loan registration process." This marks "the latest effort by Dubai government's real estate department to adopt blockchain, following last year's launch of a blockchain-based Real Estate Self Transaction (REST) that was designed to transfer the management of real estate transaction from paper to digital management. These efforts are part of the Dubai 10x initiative, a wider enterprise to advance the UAE's digital economy."

**STRATMOR: Lenders Turn To APIs, Looking Beyond Traditional LOS Deployment To Trim Costs. (MPA)**

[Mortgage Professional America](#) (5/29, Randall) reports the "average cost of originating a mortgage loan is now almost \$9,000 according to a new report, driving lenders to seek new ways of working." STRATMOR Group "says that more lenders are considering alternatives to their traditional loan origination system (LOS) deployment, especially as loan officer productivity and fulfillment productivity have both fallen 20% since 2015." MPA says lenders can now use APIs to "incorporate separate best-in-breed technologies and capabilities into their platform." STRATMOR Principal Andrew Weiss, author of the report, said, "These 'point solutions' pride themselves on their ability to do specific jobs better than an all-in-one LOS can, claiming the value they deliver is above and beyond the average way a loan is manufactured."

**PerfectLO, LendingPad LOS Bring Tech Advancements To Loan Application Process. (DSN)**

[DS News](#) (5/29, Albanese) reports PerfectLO "assists borrowers in completion of the loan application and then builds a smart checklist for them. Secondary and tertiary level questions that do not live on a 1003 are presented to borrowers through a unique, unintimidating approach." LendingPad LOS "will then import completed applications automatically," allowing MLO's and processors to "use the information to complete the loan process through closing." Since both systems are "cloud-based," this allows loan officers to "easily work remotely."

**Promontory MortgagePath CEO Leaving The Vendor. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/29, Muolo, Subscription Publication) reports Promontory MortgagePath CEO Bruce Witherell has "parted ways with the industry vendor, according to multiple sources."

**Continuing Coverage: Experts Weigh In On Latest Case-Shiller HPI. (DSN)**

[DS News](#) (5/28, Welborn) reports on industry experts' reactions to the latest S&P CoreLogic Case-Shiller Home Price Index, which revealed that home price gains have "continued to slow," rising just 3.7 percent YoY in March, "down from February's 3.9% growth." The 20-City Composite posted a 2.7 percent YoY gain, "down from 3.0% the previous month." CoreLogic Deputy Chief Economist Dr. Ralph McLaughlin said, "The U.S. housing market moderation has now lasted a year, driven by considerable slowing in the nation's most expensive markets. While the slowdown is most pronounced in these areas, all of the 20-city markets are slowing, suggesting the cooldown has broken from its confines in the West. However, with the 10-year treasury falling, we can expect mortgage rates to continue to decline this spring. This should help to take the cold edge off what has otherwise been a market slow to thaw from the winter months."

**Continuing Coverage: Ginnie Mae, HUD Exploring Path Away From LIBOR. (MREP)**

[M Report](#) (5/29, Albanese) says Ginnie Mae and HUD have "discussed ways to implement a change to their rate index, and move away from the current London InterBank Offered Rate (LIBOR) standard, according to a report by Reverse Mortgage Daily." Ginnie Mae SVP Michael Drayne told attendees of a National Reverse Mortgage Lenders Association conference, "We're looking at this, HUD is looking at this, and we're all participating in the industry working group convened by the Federal Reserve ARRC. The amount of time we have to figure everything out is less reassuring the more you look at how complicated this problem is. We at Ginnie Mae have indirect exposure to this issue. In the end, on the government side, it's up to the Secretary of Housing to determine what the main rate is going to be."



## REGULATORY NEWS

### **FDIC's McWilliams: Regulators Nearing Joint Policies On CRA, Small-Dollar Loans. (AMBNKR, BLOOMLAW)**

[American Banker](#) (5/29, Witkowski, Subscription Publication, 31K) reports FDIC Chair Jelena McWilliams said Wednesday that federal banking regulators could start drafting changes to the Community Reinvestment Act as well as small-dollar lending policies within a matter of days. The prospect of regulators writing a new CRA rule soon is consistent with Comptroller of the Currency Joseph Otting's projection that an initial proposal will be released this summer. Fielding questions after the release of the FDIC's bank earnings report, McWilliams said, "We continue with our weekly meetings, at the principal level of the agencies, and we're hoping to have a draft document for internal discussion pretty soon...within a week or so. And then we will have internal discussions and then we can start drafting altogether from there on the CRA." McWilliams added the regulators are also discussing whether to update small-dollar lending policies, through either a joint rulemaking or joint guidance.

[Bloomberg Law](#) (5/29, Weinberger, Subscription Publication, 4K) reports behind a paywall that the FDIC, the OCC, and the Fed "all have different policies in place regarding small dollar loans, meaning that different banks operate under different rules." The FDIC already has a draft document for a small-dollar lending policy it plans to share with the OCC and the Fed in "the next few days," McWilliams said.

### **CFPB Fines BSI Financial \$200K To Settle Allegations Of Mishandling MSR Transfers In Loss Mitigation. (NATMORNW, MORTORB, HOUSEWR)**

[National Mortgage News](#) (5/29) reports, "BSI Financial agreed to pay a \$200,000 fine along with restitution to settle allegations from the Consumer Financial Protection Bureau that it mishandled mortgage servicing rights transfers for loans in the loss-mitigation process." Along with the fine, "BSI must put at least \$36,500 into a segregated account to provide restitution to affected borrowers. Some borrowers may receive a credit to their loan principal." [Mortgage Orb](#) (5/29, Barnard) reports, "The alleged violations occurred during the 2012-2014 period, according to a CFPB [press release](#)." [HousingWire](#) (5/29, 23K) provides similar coverage.

### **BankThink: Regulators, Fintechs Can Do More To Bridge The Information Gap. (AMBNKR)**

In a BankThink piece for [American Banker](#) (5/29, Subscription Publication, 31K), Amy Friend and David Cotney, senior advisors at FS Vector, write that because the "US financial regulatory structure is uniquely fragmented, meaning that no single agency can provide a comprehensive roadmap when it comes to financial innovation," regulators and fintechs should collaborate more "to spur beneficial innovation, particularly through education and information sharing." Friend and Cotney "applaud" the OCC "for being the first prudential regulator to recognize the importance of fintech innovation for the banking system," but regulators "can leverage [their] efforts and enhance their knowledge by learning from fintechs and from each other in a more coordinated and sustained way." For example, federal and state regulators could conduct joint "office hours," pilots, or sandboxes.

## BANK INDUSTRY NEWS

### **FDIC: Bank Profits Rose 8.7% In Q1. (AMBNKR, WSJ, FOXB, HILL)**

[American Banker](#) (5/29, Witkowski, Subscription Publication, 31K) reports the FDIC said Wednesday that more than 66 percent of US banks posted an increase in net income in the first quarter as earnings continued to rise in large part due to growth in interest income. Banks' net income "jumped 8.7% to \$60.7 billion from a year earlier, helped by an \$8 billion increase in net interest income, which totaled \$139.3 billion, according to the FDIC's quarterly report on the industry's health." Almost two-thirds of banks "saw increases in net income from a year earlier and less than 4% were unprofitable, the agency said."

The [Wall Street Journal](#) (5/29, Clozel, Subscription Publication, 7.57M) reports the FDIC also said banks saw an increase in sour loans, led by credit-card debt, in the first quarter, as well as an increase in past-due commercial and industrial loans. The FDIC reported a 22.8-percent jump in C&I loan balances that are 90 days or more past due. Net charge-offs also increased in the first quarter to \$12.7 billion, a 5.5-percent increase from a year earlier, mainly due to credit card losses. The FDIC attributed the growth in sour credit card debt to a few institutions that lowered underwriting standards.

Citing the FDIC's Quarterly Banking Profile, [American Banker](#) (5/29, Adler, Finkle, Subscription Publication, 31K) reports in a separate piece that "total loan and lease balances fell slightly from the prior quarter, down \$4.8 billion or 0.05%," but "loan balances rose \$395 billion, or 4.1%, over the previous 12 months." Meanwhile, consumer loans – including credit card balances – "fell by \$37 billion, or 2.1%, from last quarter."

[Fox Business](#) (5/29, Williams, 1.73M) reports the number of banks deemed problematic by the FDIC decreased in the first quarter to its lowest level in more than 10 years. There are 59 banks on the agency's confidential "problem bank" list, the smallest number since the first quarter of 2007. Still, FDIC Chair Jelena McWilliams warned, "With the recent stabilization of interest rate



hikes, some institutions may face new challenges in lending and funding.” McWilliams called on banks to pursue “prudent risk management in order to support lending through this economic cycle.”

[The Hill](#) (5/29, Lane, 2.98M) also reports.

#### **Citigroup, BofA Join JPMorgan In Predicting Weak Trading Quarter. (BLOOM, REU)**

[Bloomberg](#) (5/29, 4.73M) reports Citigroup on Wednesday “said trading revenue has declined so far this quarter,” while Bank of America “indicated revenue is on pace to be about 10% lower.” According to Citigroup CEO Michael Corbat, a burgeoning trade war, Brexit, and US-Iran tensions are weighing on market sentiment. Corbat said Wednesday at a conference in New York, “Clearly, trading revenue and wallets right now are down. In periods of uncertainty, things tend to become pretty muted.” Bank of America CEO Brian Moynihan “said Wednesday the bank is expecting trading revenue to fall by about 8% from the first quarter, less than the usual seasonal decline.” That equates to a decline of around 10 percent from the second quarter of 2018. Meanwhile, JPMorgan CEO Jamie Dimon “said Tuesday that his firm’s trading revenue had declined 4% to 5% during the first two months of the second quarter, while noting that ‘the next month could dramatically change that.’”

[Reuters](#) (5/29) also reports.

#### **Wells Fargo Considers Changes To Auto Loan Pricing. (AMBNKR)**

[American Banker](#) (5/29, Wack, Subscription Publication, 31K) reports Wells Fargo Retail Banking Chief Mary Mack on Wednesday “hinted at potential changes in Wells Fargo’s auto lending business, which is in growth mode again following a restructuring effort.” When making loans to consumers through auto dealers, banks typically pay dealers a markup based on the interest rate charged to the car buyer, which “critics say often hurts minority borrowers.” Mack “indicated that Wells Fargo is considering switching to the pricing model that has long been favored by consumer advocates”: Paying dealers a flat percentage of the loan amount. American Banker notes that the CFPB, under former Director Richard Cordray, “sought, though with little success, to convince auto lenders to adopt this change.”

#### **Wells Fargo Expands Board, Adding Former BofA Exec. (REU)**

[Reuters](#) (5/29, Moise) reports Wells Fargo announced Wednesday that its board of directors had elected former Bank of America executive Charles Noski to join the board. Expanding the board to 13 seats, Noski’s appointment is effective on June 1. He will serve on the audit and examination committee.

#### **Citigroup’s Corbat Says Bank’s Tech Investments Are Paying Off. (BIZINDER)**

[Business Insider](#) (5/29, Morrell, 3.67M) reports Citigroup CEO Michael Corbat said Wednesday that the bank is starting to see the payoff from its substantial investments in technology. Corbat said, “Last year we crossed the inflection point of actually getting net savings on that,” adding that the bank expects to see \$500 million to \$600 million in net savings in 2019. The bank spends \$8 billion per year on technology, about 20 percent of its \$40 billion annual operating budget.

#### **BofA’s AI-Based Virtual Assistant Erica Has Processed More Than 50M Requests. (AMBNKR, PYMENTS)**

[American Banker](#) (5/29, Hernandez, Subscription Publication, 31K) reports that since Bank of America introduced “proactive insights” to its AI-driven virtual assistant Erica late last year, “it has added thousands of users willing to take advantage of its automated advice on day-to-day finances.” Debuting one year ago this week, Erica has processed more than 50 million requests and has 150,000 users per week, “with overall users reaching 7 million, according to the bank.” Bank of America Head of AI and Erica Christian Kitchell said the “insights were the first time Erica became proactive and started looking at clients’ situations and behaviors.” According to American Banker, Bank of America is one of few entities that has a large-scale first-party virtual assistant “that does not rely on another platform such as Facebook Messenger or Amazon’s Alexa.”

[PYMENTS](#) (5/28, 12K) reports Bank of America Head of Advanced Solutions and Digital Banking David Tyrie commented, “The personalized, proactive, and predictive nature of Erica’s guidance is what will continue to make the solution unique and powerful,” adding that the bank is “just beginning to scratch the surface of Erica’s full potential.”

#### **Visa’s Kelly Breaks With Big Banks On Need For Real-Time Payments. (BLOOM)**

[Bloomberg](#) (5/29, 4.73M) reports Visa CEO Al Kelly said Wednesday that he’s not too concerned about instant payment systems being set up by banks and governments. Speaking at an investor conference in New York, Kelly said, “I’m not convinced that these are going to take off like crazy. Does the consumer really need the funds that much faster?” The Clearing House, backed by big banks including JPMorgan and Bank of America, “has been promoting a real-time payments service it introduced in 2017,” while the Fed has explored creating its own system. Visa rival Mastercard “made its foray into real-time payments with its \$920 million purchase of VocaLink, which has been working with The Clearing House.” But “some of these systems are not as reliable, not as robust and very unfortunately don’t have the same [consumer] protections,” Kelly said.

#### **Additional Reading. (AMBNKR)**

- **Expect more banks to exit national mortgage lending.** [American Banker](#) (5/29, Subscription Publication, 31K)
- **Asked to resign, Florida's top banking regulator claims corruption.** [American Banker](#) (5/29, Subscription Publication, 31K)
- **Huntington unlikely to pursue merger or online-only bank, top executive says.** [American Banker](#) (5/29, Subscription Publication, 31K)
- **South Florida is once again a hot market for M&A.** [American Banker](#) (5/29, Subscription Publication, 31K)
- **Virginia bank's succession plan has two stages.** [American Banker](#) (5/29, Subscription Publication, 31K)
- **MWBE banks team up with NYC comptroller to win more business.** [American Banker](#) (5/29, Subscription Publication, 31K)
- **Plaid launches in UK to boost open banking on both sides of the Atlantic.** [American Banker](#) (5/29, Subscription Publication, 31K)

## TOP TREASURY NEWS

### WSJournal A1: Countries Devising Substitutes For US Dollar. (WSJ, BLOOM, WP)

The [Wall Street Journal](#) (5/29, A1, Scheck, Hope, Subscription Publication, 7.57M) reports on its front page that countries around the globe are exploring alternatives to the US dollar. US sanctions against Iran are spurring Europe and India to build systems to trade with Tehran without relying on the US currency. The piece notes that in congressional testimony in March, Treasury undersecretary Sigal Mandelker said that "those who engage in activities that run afoul of U.S. sanctions risk severe consequences, including losing access to the U.S. financial system and the ability to do business with the United States." China and Russia, seeking to circumvent American control over international trade, are spearheading substitutes to the global bank-transfer system, which the US effectively controls, and are reaching trade deals with their own currencies instead of dollars. According to the Journal, the new developments won't topple the dollar's dominance in global trade, but they will weaken the US's ability to implement its policies, such as sanctions, around the world.

[Bloomberg](#) (5/29, 4.73M) reports the Administration "escalated its battle with European allies over the fate of the Iran nuclear accord, threatening penalties against the financial body created by Germany, the U.K. and France to shield trade with the Islamic Republic from U.S. sanctions." Mandelker "signaled in a May 7 letter obtained by Bloomberg that Instex, the European vehicle to sustain trade with Tehran, and anyone associated with it could be barred from the U.S. financial system if it goes into effect." She wrote in the letter to Instex President Per Fischer, "I urge you to carefully consider the potential sanctions exposure of Instex. Engaging in activities that run afoul of U.S. sanctions can result in severe consequences, including a loss of access to the U.S. financial system." Bloomberg adds that, "Asked to comment on the letter, the Treasury Department issued a statement saying 'entities that transact in trade with the Iranian regime through any means may expose themselves to considerable sanctions risk, and Treasury intends to aggressively enforce our authorities.'"

The [Washington Post](#) (5/30, Noack, 14.2M) says the "escalation raises the real possibility that Trump's withdrawal of the United States from the Iran deal last year might result not only in further U.S. sanctions against Iran, but also against an entity created by some close U.S. allies in Europe."

### Pompeo Says US Seeking "Fair, Reciprocal" Trade Deal With China. (FOX, FT, REU)

Secretary of State Mike Pompeo said on [Fox Business Mornings with Maria](#) (5/29, 41K), "We may or may not get a deal. I couldn't tell you the answer to that. Much will turn on whether China is prepared to do what President Trump has asked them to do. It's pretty simple. Fair, reciprocal, a set of trading rules that apply to both countries." Asked about concerns that the trade war is having a negative impact on the US economy, Pompeo said, "When I hear these concerns, these worries, I'm always reminded that the American people have lost and suffered for decades under the current rules. So there's somehow this idea that President Trump's decision to push back against China caused problems for the American economy, when, in fact, the challenges have been the fact that the Chinese were in a trade war with us a long time ago. We're simply trying to get back to fair, to reasonable, to reciprocal, to transparent."

The [Financial Times](#) (5/30, Rennison, Politi, Subscription Publication, 1.34M) also reports on the topic, noting Treasury Secretary Mnuchin and USTR Lighthizer had been indicating they would visit Beijing for talks before the G20, but plans have not been made.

[Reuters](#) (5/30) reports China's Vice Foreign Minister Zhang Hanhui "said on Thursday deliberately provoking trade disputes amounted to 'naked economic terrorism', as Beijing continued to dial up its rhetoric amid the festering trade war with the United States." Zhang stated: "This kind of deliberately provoking trade disputes is naked economic terrorism, economic homicide, economic bullying."

### US Applies Tariffs On Chinese Kegs, Mattresses. (WASHEX, WP, BLOOM, NYT, WSJ)

The [Washington Examiner](#) (5/29, Higgins, 448K) reports the Commerce Department on Wednesday said "that it would impose duties from 39% to as high as 1,732% on imports of

Chinese mattresses.” In a separate announcement, the Commerce Department “said it had made a preliminary determination that China, Mexico, and Germany were illegally dumping stainless steel kegs on to U.S. markets, and it would soon start imposing duties of 2% to as high as 80% on those products.” All of Wednesday’s decisions are preliminary, with final decisions coming later in the year.

George Will writes in his [Washington Post](#) (5/29, 14.2M) column on the topic of tariffs, noting the New York Times “recently reported that Treasury Secretary Steven Mnuchin, a member of an administration that purports to be a dike against a rising tide of socialism, is ‘encouraging [U.S.] firms to reorient their supply chains and source their products elsewhere’ — meaning, out of China.”

**Poll Shows Most Americans Think US Consumers Will Suffer Due To Trump Tariffs.** [Bloomberg](#) (5/29, 4.73M) reports that according to a new Monmouth poll, “most Americans don’t think China is paying U.S. tariffs, contrary to what President Donald Trump says.” According to Bloomberg, “About 62% of U.S. adults surveyed said American consumers will bear more of the costs of duties than producers in China,” and “an equal percentage were ‘very’ or ‘somewhat’ concerned a trade war would hurt their local economy.”

According to the [New York Times](#) (5/29, Smialek, 18.61M), Trump “says his tariffs will hurt Chinese companies more than American firms, and he insists that they will either force Beijing to change its ‘unfair’ trade practices or prompt companies to shift production away from China.” However, the Times says “the trade war is already costing the economy as a whole. Federal Reserve Bank of New York research estimates that Mr. Trump’s initial rounds of tariffs – the ones that went into effect last year – cost \$414 per American household, between added tax burden and lost efficiency,” which “will jump to \$831 per household with Mr. Trump’s most recent tariff hike.”

The [Wall Street Journal](#) (5/29, Taplin, Subscription Publication, 7.57M) says the report from New York Fed economists, along with US import data, suggests both China and the US will pay for the tariffs, as China won’t export as much and US buyers will see higher prices. The Journal explains that the real winners will be China’s competitors in Asia: South Korea, Taiwan, and Southeast Asia.

#### **New CRS Report Sparks Debate Over Tax Law’s Effectiveness. (POLITICO, ABCNEWS, BLOOM)**

[Politico](#) (5/29, Becker, 4.29M) reports in continuing coverage that a new Congressional Research Service report on the Tax Cuts and Jobs Act “reignited the debate over the law’s effectiveness.” The report found that the tax law “had a vanishingly small impact all around – business investment ticked up, but not dramatically so.” Politico says “not much has happened to sway people’s initial judgments on the TCJA, and it could still take awhile for a final reckoning.” Kyle Pomerleau of the right-leaning Tax Foundation said, “A little more than a year out, I don’t think there’s going to be much information that’s going to change people’s minds,” noting that Administration figures like Treasury Secretary Steven Mnuchin “were in the distinct minority in saying that the tax law would pay for itself.”

[ABC News](#) (5/29, News, 2.97M) also provides coverage, noting the Administration’s top economic advisers, including Mnuchin and National Economic Council Director Larry Kudlow, “have repeatedly claimed that that the tax cuts will pay for themselves, but the new report found that the tax cuts were responsible for only 5 percent or less of the growth needed to fully offset the revenue loss from the cuts.”

[Bloomberg](#) (5/29, Gandel, 4.73M) also covers the topic.

#### **Treasury’s Currency Report Receives Continuing Coverage. (BLOOM, BIZINDER)**

Chris Bryant writes in continuing coverage for [Bloomberg](#) (5/29, Bryant, 4.73M) that last week, the Trump Administration “said countries that subsidized their exports with undervalued currencies should be hit with tariffs.” This week, Germany was “left on an expanded Treasury Department watchlist of countries worthy of monitoring for currency manipulation, according to the department’s biannual report issued to Congress. The report noted that Germany’s real effective exchange rate is undervalued by 10-20 percent.” Bryant adds that, “rather than take advantage of ultra-cheap borrowing costs to cut taxes and invest more in things like defense, or infrastructure – which might support domestic demand and thus curtail the trade gap – Berlin stubbornly prefers to run a budget surplus.” He says the US Treasury report “was pretty scathing about this.” [Business Insider](#) (5/29, GmbH, 3.67M) also provides continuing coverage of the Treasury report.

#### **NY Law Will Give Congress Info About Trump’s Taxes. (NYT, CQRC)**

University of Chicago professor Daniel Hemel and Steven Rosenthal of the Urban-Brookings Tax Policy Center write in the [New York Times](#) (5/29, 18.61M) that Congress will “soon have access to a treasure trove of information about President Trump’s taxes. It just needs to ask New York.” A new state law now waiting on the signature of Gov. Andrew Cuomo would “allow the heads of Congress’s tax-writing committees to request a public official’s state tax returns to aid the committees in a ‘legitimate’ task.” They explain that the law will “permit the House Ways and Means Committee – which has so far been stymied by the Treasury Department in its investigation of Mr. Trump’s taxes – to obtain evidence of his tax reporting practices and the results of I.R.S. audits.” Hemel and Rosenthal add that when Cuomo “signs the legislation – which he has said he will do – Richard Neal, the chair of the House Ways and Means Committee, need only ask Albany for the records.” Neal requested six years of Trump’s tax filings to “assist his panel’s inquiry into

the I.R.S.'s audits of the president." However, Treasury Secretary Steven Mnuchin "denied that request as well as a subsequent congressional subpoena for the president's returns."

[CQ Roll Call](#) (5/29, Ratnam, 154K) reports Neal has "said he expects to turn to the courts to enforce his subpoenas rather than leveling contempt of Congress charges at Mnuchin" and IRS Commissioner Rettig.

### **IRS Urged To Improve Tax Fraud Referral Program. (BLMTAX)**

[Bloomberg Tax](#) (5/29) reports behind a paywall, "Making an online option available for an IRS program that allows the public to report suspected tax fraud could help the agency collect missing tax dollars, its watchdog said." The Treasury Inspector General for Tax Administration explained in a report released May 29 that fraud referral "is an important tool for improving tax administration and closing the tax gap."

## **TOP ECONOMIC NEWS**

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### **Treasury Yields See Largest Climb In Over A Week. (BLOOM)**

[Bloomberg](#) (5/29, 4.73M) reports the yield on 10-year Treasuries "increased two basis points to 2.28%" as of 8:10 a.m. in London, "the largest climb in more than a week."

### **Dollar Rises. (REU)**

[Reuters](#) (5/29, Leong) reports, "The dollar rose on Wednesday, even as investors focused on socking their money into bonds and gold – and to a lesser extent the yen and Swiss franc – with no end in sight in the trade tension between China and the United States." The dollar index against six major rivals "was 0.23% higher at 98.173, holding below a two-year high of 97.908 reached last week." Against the yen, the dollar "was little changed" at 109.65 yen. Meanwhile, the euro "was a tad weaker against the Japanese and Swiss currencies at 122.075 yen and 1.1227 franc, respectively."

### **Gold Remains Steady. (REUAF)**

[Reuters \(AF\)](#) (5/29, 5K) reports, "Gold prices were steady on Thursday as the dollar hovered near a two-year high, impeding the support from an exacerbated Sino-U.S. trade war bringing back doubts about global economic growth." Spot gold "was broadly unchanged at \$1,278.77 per ounce, as of 0110 GMT," while US gold futures "edged 0.1% lower to \$1,279.30 an ounce."

### **Oil Rises. (REU)**

[Reuters](#) (5/30, Sheldrick, Gloystein) reports, "Oil prices rose on Thursday after an industry report showed a bigger-than-expected decline in US crude inventories, although concerns that the US-China trade war will trigger an economic downturn kept a lid on gains." Brent crude futures "were at \$69.85 per barrel at 0700 GMT, up 40 cents, or 0.6%, from their last close." Meanwhile, West Texas Intermediate crude futures "were up 48 cents, or 0.8%, at \$59.29 a barrel."

### **Stocks Drop As Trade Concerns Mount. (WSJ, REU)**

The [Wall Street Journal](#) (5/29, Ramkumar, Subscription Publication, 7.57M) reports stocks, bond yields and commodities around the world dropped again Wednesday, as worries mounted about slowing economic growth and as investors shied away from riskier assets. [Reuters](#) (5/29, Mikolajczak) reports US stocks declined on Wednesday, "with the S&P 500 and Nasdaq closing just above key support levels, as worries that a lengthy U.S.-China trade war would crimp global growth pushed investors into the safety of government bonds." Trade strife "between the two largest economies in the world showed little signs of relaxing as Chinese newspapers warned that Beijing could use rare earth elements to strike back after President Donald Trump remarked on Monday that he was 'not yet ready' to make a deal with China over trade." Adding to tensions, "China's Huawei Technologies Co Ltd filed a lawsuit against the U.S. government late on Tuesday in its latest bid to fight sanctions from Washington."

**Investors Move Back Into US Stocks For First Time Since Mid-April.** [Reuters](#) (5/29, Randall) reports investors increased inflows to the US stock market "for the first time since mid-April by sending roughly \$3.7 billion into mutual funds and exchange-traded funds that hold domestic equities last week, according to data released Wednesday by the Investment Company Institute." The move back into US stock funds "ended a four-week retreat from the domestic equity market that pulled a net total of roughly \$32 billion out of the category." According to the article, "for the year to date, investors have taken a net of \$35.8 billion out of funds that hold U.S. stocks." Meanwhile, world stock funds "added a net of \$105 million, following a \$1.8 billion net outflow the week before."

**Bank Stocks Hit By More Than Drop In Treasury Yields.** The [Wall Street Journal](#) (5/29, Driebusch, Subscription Publication, 7.57M) reports big banks face more concerns than just a drop in Treasury yields, according to some analysts. Bank stocks have fallen as worries about the impact of trade tensions with China on the US economy have grown, stock-trading volumes have declined, and US debt capital markets volumes have slipped.

## **THE BIG PICTURE**

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**Wall Street Journal:**

[Robert Mueller Shifts Questions About Trump To Congress](#)  
[Israel To Hold New Elections After Netanyahu Fails To Form Government](#)  
[Renault Proposal Is Put To The Test In France](#)  
[U.S. Says Russia Likely Conducting Low-Yield Nuke Tests, Defying Test Ban Treaty](#)  
[Bored Teenagers Built A Rocket To Launch Into Space—'It's Truly A Miracle'](#)  
[The Dollar Underpins American Power. Rivals Are Building Workarounds.](#)

**New York Times:**

[Mueller, In First Comments On Russia Inquiry, Declines To Clear Trump](#)  
[Mueller Delivered A Message. Washington Couldn't Agree On What It Was.](#)  
[The Bond Market Is Giving Ominous Warnings About The Global Economy](#)  
[In Defeat For Netanyahu, Israel Moves To Hold New Election](#)

**Washington Post:**

[Netanyahu Forced To Call For New Elections](#)  
[Mueller's Remarks Fuel Impeachment Calls](#)  
[Is A Melting Arctic Twisting Jet Stream Into A Tornado Maker? Unusually Erratic Jet Stream Brings Daily Dose Of Tornadoes](#)  
[In 1992, Surprising Majority Declined To Overturn Roe](#)  
[Special Counsel To Congress: It's Your Ballgame Now](#)

**Financial Times:**

[Mueller Says Charging Trump Was 'Not An Option'](#)  
[Weidmann: A Star At Home Facing Scepticism Abroad](#)  
[Venezuela Data Offer Rare Glimpse Of Economic Chaos](#)

**Washington Times:**

[Mueller Exits, Won't Exonerate Trump](#)  
[Mueller Buries Key Conclusion Amid 'Omissions And Innuendo'](#)  
[Iraq's Shia Militias Spark Military Buildup As U.S.-Iranian Tension Soars](#)  
[Planned Parenthood Resists Missouri's Demand To Probe State's Last Abortion Clinic](#)  
[Bernie Backers See DNC-Media Sabotage In Biden Surge: 'It's The Same Thing All Over Again'](#)

**Story Lineup From Last Night's Network News:**

**ABC:** Mueller-Statement; Mueller-Trump's Reaction; Democrats Call For Impeachment; Severe Weather-Tornadoes; Weather Report; Severe Weather-Flooding; Louisiana-Heartbeat Bill; Houston-Shooting At Plumbing Business; Mt. Everest-Deaths; Connecticut-Missing Mother; Florida-Midair Collision; Hawaii-Second Missing Hiker Found Dead; Amazon Alexa-Delete Recordings; Game Of Thrones Actor Checks Into Treatment Facility; Alex Trebek-Nearing Remission.

**CBS:** Interview With Boeing CEO; Mueller-Statement; Democrats Call For Impeachment; Severe Weather-Tornadoes; Severe Weather-Flooding; Aerial Military Exercises In Arctic Circle; Louisiana-Heartbeat Bill; 'Gorillas In The Mist' Gorilla Dies; Alex Trebek-Nearing Remission; White Sox Ceremonial Opening First Pitch.

**NBC:** Mueller-Statement; Democrats Call For Impeachment; Impeachment-Expert Comment; Election Protections; Severe Weather-Tornadoes; Severe Weather-Flooding; Weather Report; Mt. Everest-Deaths; San Diego-Infant Who Spent 5 Months In ICU Goes Home; Vacation Prices; Alex Trebek-Nearing Remission; America's Got Talent.

**Network TV At A Glance:**

Mueller-Statement – 9 minutes, 50 seconds  
Democrats Call For Impeachment – 4 minutes, 10 seconds  
Severe Weather-Tornadoes – 4 minutes, 10 seconds  
Severe Weather-Flooding – 3 minutes, 15 seconds

**Story Lineup From This Morning's Radio News Broadcasts:**

**ABC:** Louisiana-Heartbeat Bill; Utah-Body Of Missing 5 Year Old Girl Found; Democrats Call For Impeachment; Louisiana-Flooding; San Francisco-Hit And Run.

**CBS:** Democrats Call For Impeachment; Impeachment-Expert Comment; Disney-Withdrawing From Georgia If Heartbeat Bill Goes Through; Trump-USS John McCain; Houston Astros-Foul Line Drive Hits Child.

**FOX:** Mueller-Statement; Reactions To Mueller; Trump-USS John McCain; Utah-Body Of Missing 5 Year Old Girl Found.

**NPR:** Mueller-Trump's Reaction; Rep. Jerry Nadler-Comments On Mueller's Statement; Severe Weather-Flooding; Russia-Nuclear Tests; Stocks.

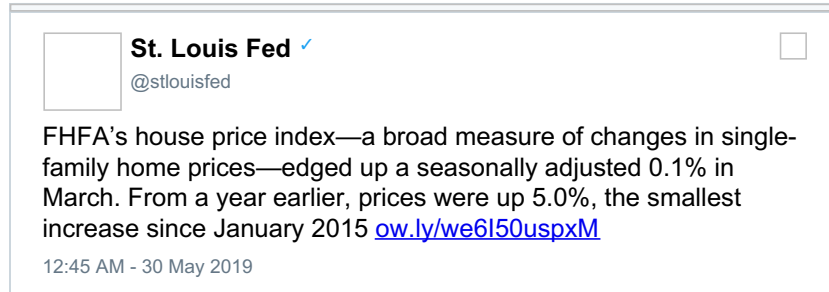
**SOCIAL MEDIA RECAP**

**Key Social Conversations.**

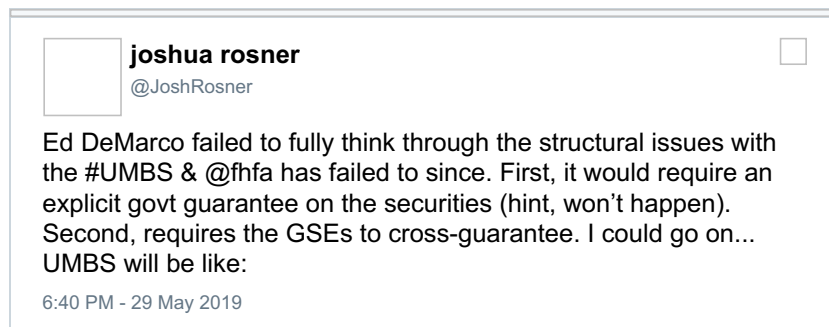
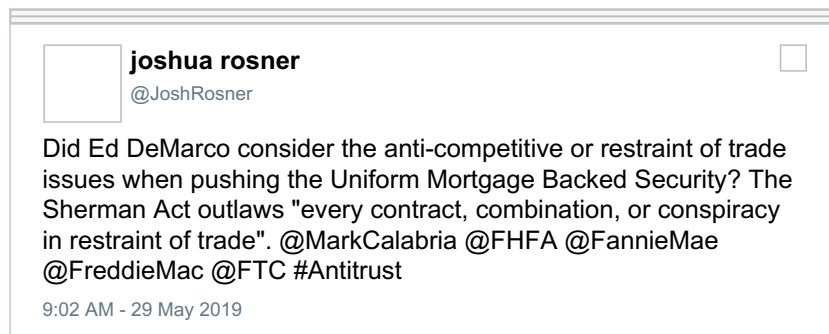


A Bulletin Intelligence analysis of social media activity found that FHFA- and GSE-related post engagement held fairly steady on Tuesday. However, a tweet from Sen Shelley Capito about a FHLBank Pittsburgh event garnered stronger-than-usual engagement and generated 67K impressions. By reach, the biggest FHFA-related tweet of the day came from the St. Louis Fed, which shared an illustration of FHFA's House Price Index over time. Regarding the GSEs, Joshua Rosner criticized the UMBS in a pair of tweets that were the most engaged of the day. Meanwhile, Sen. Sheldon Whitehouse (D-RI) once again cited a Freddie Mac study on the potential impact of climate change on coastal properties, eliciting strong engagement and generating 323K impressions.

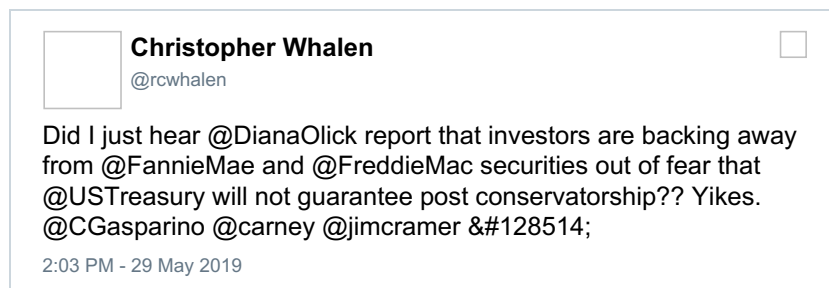
- The St. Louis Fed [tweeted](#) (2 retweets, 3 likes, 92K impressions):



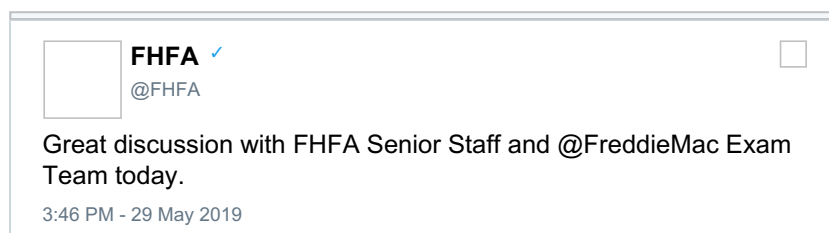
- Joshua Rosner [tweeted](#) (Combined 20 retweets, 60 likes, 6.1K impressions):



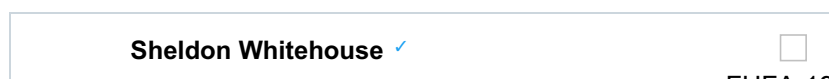
- Christopher Whalen [tweeted](#) (3 retweets, 20 likes, 16K impressions):



- FHFA [tweeted](#) (4 retweets, 8 likes, 9.7K impressions):



- Sen. Sheldon Whitehouse (D-RI) [tweeted](#) (33 retweets, 44 likes, 323K impressions):



@SenWhitehouse

Louisiana is the leading edge of the coastal property values crash that @UCSUSA, @FreddieMac and others warned us about.

Double insurance cost, and value falls. [nola.com/opinions/2019/...](https://nola.com/opinions/2019/...)

9:00 AM - 29 May 2019

- **Sen. Shelley Capito (R-WV) [tweeted](#) (5 retweets, 13 likes, 67K impressions):**



**Shelley Moore Capito** ✓

@SenCapito

Loved being a part of @FHLBankPgh's #BlueprintCommunity kick off. I was impressed with and inspired by the enthusiasm and passion of the six new #BlueprintCommunities in West Virginia!

11:34 AM - 29 May 2019

## D.C. SCHEDULE

### Today's Events In Washington.

#### White House:

- President Trump — delivers remarks at the 2019 United States Air Force Academy Graduation Ceremony.
- Vice President Pence — signs Parliament guest books; participates in a bilateral meeting with the Prime Minister of Canada; participates in a meeting with the Canadian Council for United States-Mexico-Canada Advisory Council; delivers joint remarks with the Prime Minister of Canada; and THE SECOND LADY meet with U.S. Embassy employees and their families; and THE SECOND LADY lay a wreath and pay respects at the Beechwood Cemetery.

#### US Senate:

- Progressive Democrats of America holds an Equal Rights Amendment Senate Lobby Day  
*Location: Cafeteria, Dirksen Senate Office Building, 2nd St NE, Washington, DC; 1:30 PM*
- Senate on recess from 24 May – 3 Jun

#### US House:

- House Small Business subcommittee field hearing on rural broadband – Contracting and Infrastructure Subcommittee field hearing on 'Small Businesses and Their Limitations Without Reliable Access to Rural Broadband', with testimony from Realty Executives realtor Adam Artz; East Central Minnesota Educational Cable Cooperative Director Marc Johnson; Cambridge Presbyterian Homes Executive Director of Partnered & Affiliated Boards Greg Carlson; and Bulltair Industries owner Matt Crescenzo  
*Location: Bulltair Industries, 24543 Olinda Trail N, Scandia, MN; 10:00 AM*
- Public briefing on Operations Desert Shield and Desert Storm – National Council on U.S.-Arab Relations and The National Desert Storm War Memorial Association host public affairs briefing on 'Commemorating International Partnership and Statesmanship: Operations Desert Shield and Desert Storm and The National Desert Storm and Desert Shield Memorial in Washington, D.C.', with NCUSAR presenting its Global Leadership Award to Republican Rep. Phil Roe, in recognition of his legislative efforts on behalf of the National Desert Storm and Desert Shield Memorial, and featuring remarks from former 9th Air Force Commander and U.S. Central Command Air Forces Commander Gen. (Ret.) Chuck Horner, former U.S. Ambassador to Kuwait Edward Gnehm Jr., and The National Desert Storm War Memorial Association President and CEO Scott Stump  
*Location: Rm 2043, Rayburn House Office Building, Washington, DC; 1:00 PM*
- House meets in pro forma session – House of Representatives meets in pro forma session \* Chamber on recess from 24 May – 3 Jun  
*Location: U.S. Capitol, Washington, DC; 4:30 PM*

#### Cabinet Officers:

- Secretary of State Pompeo begins Europe trip – Secretary of State Mike Pompeo begins trip to Germany, Switzerland, the Netherlands, and the UK, with agenda including meeting German Chancellor Angela Merkel and Foreign Minister Heiko Maas in Berlin (having abruptly canceled travel to Germany earlier this month to make an unannounced visit to Iraq); meeting with Swiss Foreign Minister Ignazio Cassis, Swiss business leaders, and World Health Organization Director General Dr Tedros Ghebreyesus in Bern and Lugano, Switzerland; participating in the opening of the Global Entrepreneurship Summit with Dutch Prime Minister Mark Rutte and meeting senior Dutch officials, including Foreign Minister Stef Blok, in The Hague, Netherlands; and joining President Donald Trump's state visit to the UK, in London
- VA Secretary Wilkie marks 75th anniversary of the original GI Bill – Department of Veterans Affairs hosts ceremony celebrating the 75th anniversary of the original GI Bill, highlighting its education, vocational rehabilitation, and employment programs. Speakers include Secretary of Veterans Affairs Robert Wilkie, Veterans Benefit Administration Under Secretary...

Lawrence, the family of Don Balfour – the first student to receive GI Bill education benefit, officials from The American Legion and Student Veterans of America, and current GI Bill recipients

*Location: George Washington University, 800 21st St NW, Washington, DC; 10:00 AM*

**Visitors:**

- No visitors scheduled.

**This Town:**

- SID-Washington Annual Conference – Society for International Development Washington, DC Chapter Annual Conference, with speakers including Master Card Executive Vice President Tara Nathan and USAID Deputy Administrator Bonnie Glick

*Location: Ronald Reagan Building and International Trade Center, 1300 Pennsylvania Ave NW, Washington, DC; 8:00 AM*

- Dem Rep. Eleanor Holmes Norton and DC mayor announce 'major' update on statehood – Democratic Rep. Eleanor Holmes Norton, DC Mayor Muriel Bowser, and DC Councilman Phil Mendelson host press conference at the DC War Memorial to give a 'major' update in the fight for DC statehood

*Location: D.C. War Memorial, Washington, DC; 11:30 AM*

- U.S. and Foreign Commercial Service head briefs Washington FPC – Washington Foreign Press Center briefing on 'The 2019 SelectUSA Investment Summit and Foreign Direct Investment in the United States', featuring U.S. and Foreign Commercial Service Director General and Acting Assistant Secretary of Commerce for Global Markets Ian Steff

*Location: Washington Hilton, 1919 Connecticut Ave NW, Washington, DC; 1:00 PM*

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FHFA Briefing

**DATE: TUESDAY, FEBRUARY 26, 2019 7:15 AM EST**

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- Cohen: Democrats’ Shift Left Could “Gift Reelection To Trump.” (WP)
- WSJJournal: Hawley Opposing Rao To Appeal To Anti-Abortion Right. (WSJ)
- Report: Charitable Giving Up In First Year Under New Tax Law. (HILL)
- Bipartisan Group Of Senators Urge Trump Administration To Ban Huawei Technology. (HILL, CQRC, REU, POLITICO, WSJ, FT, WP, AP)
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## FHFA NEWS

**UMBS Reportedly On Track For Launch On June 3; Otting Is Supportive. (INSDMORTG)**

FHFA-19-0753-A-000202



## GLOBCAP)

Behind a paywall, [Inside Mortgage Finance](#) (2/25, Ivey, Subscription Publication) says that the GSEs' single-security initiative is "largely on track to launch June 3, according to industry participants." At the SFIG Vegas conference on Sunday, FHFA Associate Director for the division of conservatorship Mary Ellen Taylor "provided an update" on the UMBS, saying "that a few loose ends remain, including delivery guidelines from the Securities Industry and Financial Markets Association that are expected in March and a final rule from the FHFA regarding standards for consistent prepayment rates between Fannie Mae and Freddie Mac." She also said that acting FHFA Director Joseph Otting is "100 percent" supportive of the UMBS effort, adding that the project should increase liquidity in the TBA MBS market and dismissing the idea that it represents an attempt to combine the GSEs into one entity.

### ***Sifma Vote Still Required To Amend "Good Delivery" Rules Prior To UMBS Launch.***

Behind a paywall, [GlobalCapital](#) (2/25, Saeedy, Subscription Publication) says that Sifma "holds the final keys" to "the launch of the uniform MBS," which is just "months away." Amending the "good delivery" rules that "govern the TBA market" will require "a vote within the steering committee" at Sifma.

## **NHC To Otting: FHFA Should Continue Allocations To CMF, HTF. (DSN)**

[DS News](#) (2/25, Bacot) reports the National Housing Conference and "its coalition members" on Monday "submitted a letter to Acting Director Joseph Otting...urging the FHFA to continue allocations to the Capital Magnet Fund and the National Housing Trust Fund in 2019 and beyond." In the letter, NHC and its coalition wrote, "These programs are effective tools in creating affordable housing supply and are funded by a de minimis fee on new business, currently 4.2 basis points, and not through federal appropriations. They have broad bipartisan support and failure to continue to fund them will result in an even greater need for government spending to address the shortage of affordable housing in the future."

## **FANNIE MAE AND FREDDIE MAC**

### **Layton: Thanks To Conservative Investing And CRT Efforts, Freddie Mac Is Well-Positioned For A Potential Recession. (BLOOMTV, ASSSECREP)**

In an eight-minute segment of [Bloomberg TV Bloomberg Markets The Close](#) (2/25, 2:07 p.m. EST), Freddie Mac CEO Donald Layton discussed the impact of Fed policy on originations and servicing, the state of the housing market, and Freddie's effective use of its "time-out" in conservatorship. Layton said the "broader economy is doing extremely well with very low unemployment, good GDP growth and inflation." However, the housing market "is not doing that well" because it is so sensitive to interest rates. Layton said that Freddie Mac is positioned well to deal with a potential recession that many economists believe will arrive by 2021. He commented, "We just think we are in a pretty good position to take a normal deterioration because we're relatively conservative investors since the financial crisis." Layton discussed Freddie's credit risk transfer efforts, pointing out that "about 80 percent" of the GSE's multifamily credit risk has been transferred to private investors.

**Layton: Losing Implicit Guarantee Would Come With Bad Consequences.** [Asset Securitization Report](#) (2/26) reports Layton said if the GSEs lose their implicit guarantee for unsecured debt, "things will change. People should understand that. Zero as a policy reduction has consequences that I don't think the system would like." However, ASR says Layton "stopped short of endorsing any policy," commenting, "My job is to tell them what those consequences would be and let them deal with it."

### **Investors: Big Banks Conspired To Manipulate Prices Of Fannie, Freddie Bonds. (LAW360)**

Behind a paywall, [Law360](#) (2/25, Subscription Publication, 6K) reports "Bank of America, JP Morgan and a host of other big-name banks have been slapped with a proposed class action accusing them of working together to manipulate" the price of Fannie Mae and Freddie Mac bonds.

### **Harney: Freddie's Khater Says Homeowners "Are Performing Better Today" Regarding Mortgage Payments Than They Have In Decades. (CHIT)**

In a [Chicago Tribune](#) (2/25, 2.12M) column, Kenneth Harney says that "more Americans are paying their mortgages on time today than they have in nearly two decades." According to MBA data, the "national delinquency rate on home loans hit the lowest level it's been in 18 years as of the final quarter of 2018." Borrowers with conventional mortgages "are the best performers; roughly 97 percent of them are paying on time. Borrowers with Federal Housing Administration-insured (FHA) mortgages pay late nearly three times more frequently; even so, more than 91 percent of them are on time." According to "Freddie Mac Chief Economist Sam Khater, U.S. homeowners are performing better today in terms of on-time payments and foreclosure avoidance than they have in 30 years."

### **Freddie Mac And HUD Opening Up Sweat Equity Down Payment Options. (REALTIMES)**

The [Realty Times](#) (2/25, Naciri) reports that sweat equity is now sometimes serving as an alternative to cash for down payments, with HUD having "just announced it will be awarding \$10 million in sweat equity grants to nonprofit housing organizations" and Freddie Mac having

"recently expanded" its Home Possible mortgage so that borrowers can "cover their entire down payments with sweat equity." According to Freddie, "Do-it-yourselfers can apply sweat equity to assist in meeting their down payment and closing costs, co-borrowers who do not live in the home can be included for a borrower's one-unit residence, borrowers are permitted to own other properties, and more – all with competitive pricing and the ease of a conventional mortgage."

#### **AEI: Mortgage Credit Risk Jumped In November. (DSN)**

[DS News](#) (2/25, Ojha) reports, "Mortgage risk is rising even as the growth of home price appreciation continues at a different pace at the lower and higher end of the market," according to "the American Enterprise Institute's (AEI's) Center on Housing Market and Finance." AEI's November Housing Market Indicators report, released Monday, "found that mortgage risk had jumped in November with all purchase loan indices either setting or matching all-time highs. On the other hand, it found that house price appreciation remained "strongly bifurcated" with prices at the entry level appreciating at 5.3 percent on an annual basis, while prices at the higher tiers appreciated only 1.5 percent." The report also "said that Fannie Mae's risk index continued to outpace Freddie Mac," although it "pointed out that the risk pick-up had not 'translated into any meaningful market share gains for Fannie.'"

#### **Freddie Mac Single-Family Serious Delinquency Rate Inches Up In January. (CALRK)**

According to [Calculated Risk](#) (2/25, McBride), "Freddie Mac reported that the Single-Family serious delinquency rate in January was 0.70 percent, up slightly from 0.69 percent in December. Freddie's rate is down from 1.07 percent in January 2018. Freddie's serious delinquency rate peaked in February 2010 at 4.20 percent. This is the lowest serious delinquency rate for Freddie Mac since December 2007."

#### **Buybacks Of GSE Loans Hit Record Low In 2018. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (2/25, Bancroft, Subscription Publication) reports, "Mortgage lenders that deliver loans into Fannie Mae and Freddie Mac mortgage-backed securities continued to face relatively few repurchase demands from the two government-sponsored enterprises last year." Lender buybacks "totaled just \$833.7 million last year, the lowest annual total since asset securitizers were required to file repurchase disclosures with the Securities and Exchange Commission back in 2012. Total lender buybacks fell 14.4 percent last year, and the overwhelming majority of repurchase demands (84.2 percent) involved loans sold to Fannie and Freddie in 2017 and 2018. Historically, most GSE buyback demands were connected to loans securitized prior to conservatorship, but nearly all of those claims had been cleared by the end of last year."

#### **Freddie Mac "Shifting Its Investor Reporting Cycle" To Beginnings Of Each Month. (LEXBLOG)**

[LexBlog](#) (2/25) reports, "In an effort to standardize the marketplace, Freddie Mac is joining Fannie Mae and Ginnie Mae by shifting its investor reporting cycle to the beginning of each month."

#### **Continuing Coverage: NAR Makes Case For Shareholder-Owned Utility Model For GSEs, Lays Out Criteria For Evaluating Other Proposals. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (2/25, Hollier, Subscription Publication) provides continuing coverage of NAR's working paper on GSE reform, which it unveiled at a conference in Washington earlier this month. In it, NAR reportedly "makes a persuasive case" that the GSEs "should be restructured as strictly regulated, shareholder-owned utilities." It also "establishes an effective format for evaluating other proposals for GSE reform." According to the paper's authors, professor Susan Wachter of The Wharton School and Andrew Davidsan and Company head of risk management Richard Cooperstein, one key issue that must be resolved is the problem of "incomplete markets." This applies to "the delayed feedback inherent in the mortgage market, where the costs and benefits of getting and providing mortgages often don't show up for years," IMF says.

#### **Continuing Coverage: Media Reports Suggest Kushner Companies "Negotiating" With GSEs Over \$1.5B Financing. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (2/25, Muolo, Subscription Publication) reports, "Kushner Companies is negotiating with Fannie Mae and Freddie Mac to obtain financing on roughly \$1.15 billion worth of apartment properties in Maryland and Virginia, according to media reports swirling around over the weekend. It's quite possible the story is true with one slight adjustment: Fannie and Freddie do not negotiate directly with borrowers seeking multifamily financing. Usually, there's a middle man in there. In other words, a lender. So it must be that Kushner is talking to a lender/lenders that plan to flip the loan(s) to the GSEs, which will then put them into securities." A Freddie spokesman "confirmed to" IMF what it "always assumed," stating, "We are not a primary lender." A Fannie spokesman said, "We work with lenders, not with borrowers." IMF adds, "So what's going on here? Did the Kushner Companies – as in presidential advisor Jared Kushner – go directly around the lender to the GSEs? Not likely. But if KC did this, it would be a heck of a story because that would mean the two are direct funders – something its regulator and Congress would be quite interested in."

## HOUSING FINANCE AND INDUSTRY

### **Fed Officials On Listening Tour To Impoverished Areas. (WSJ, MRKWTWCH, REU)**

The [Wall Street Journal](#) (2/25, Timiraos, Subscription Publication, 6.65M) reports that on Monday, Dallas Fed President Robert Kaplan and Fed Vice Chairman Richard Clarida kicked off a public listening tour, where they met with local leaders to discuss ways to improve education, housing and access to health food. The discussions come as the central bank is reviewing its monetary policy so as to make sure their dual mandates, to keep inflation under control and maximize employment, are reached.

[MarketWatch](#) (2/25, Robb, 1.81M) reports that no matter what the officials would like to do, "the Fed is not the type of bank that provides funds" for local issues. Rather, Kaplan said the Fed worked through "community outreach" to be a "catalyst" for changes to the community.

**Kaplan Says Fed Policy Will Help Impoverished Communities.** [Reuters](#) (2/25, Saphir) reports that on Monday, Kaplan said the Fed's current policies were allowing the US economy to run "hotter" and would give the Fed the "luxury of trying to do more to get more people into this workforce on a sustainable basis." Because the unemployment rate has reached 4 percent, Kaplan said the Fed needs to "conduct monetary policy...to create that kind of stable employment where you don't have people in and then out."

**Clarida Sees US Economy As Good But Warns Of International Risks.** The [Wall Street Journal](#) (2/25, Timiraos, Subscription Publication, 6.65M) reports that on Monday, Clarida spoke about the central bank's decision to be patient with interest rate increases, detailing how the growing risks associated with the slowing global economic growth is an important factor that is being evaluated. He also talked about how many central banks, including those in Europe and Japan, have only a few monetary policy tools left to fight the slowing growth, which also increases risk.

[Reuters](#) (2/25, Saphir) reports that although the slowdown is a "relevant factor," Clarida said the "US economy is in a good place right now...and we really want to do whatever we can to help support and maintain the economy." Due to the "near full employment" and inflation at "the Fed's 2-percent goal," Clarida thinks that the Fed has "the ability to be patient in terms of looking at the data," and deciding what its next move is.

**Bostic Expects A Single Rate Increase In 2019.** The [Wall Street Journal](#) (2/25, Derby, Subscription Publication, 6.65M) reports that in an interview Friday, Atlanta Fed President Raphael Bostic talked about his view that as long as the economy is continuing to do well, then the Fed should do more to keep the benchmark rate at a neutral level that isn't helping or hurting the economy. Bostic said that the current rate is near the low end, but the economy is doing fine, so being patient now on rate increases would not cause any harm.

### **At National Governors Association Winter Meeting, Governors Discussed Affordability Issues And Inventory Shortages. (MRKWTWCH)**

[MarketWatch](#) (2/25, Mills-Gregg, 1.81M) reports, "From Vermont to California, governors and housing associations agree Americans in rural and urban areas are facing a housing affordability crisis. While governors did not hold a formal discussion on housing challenges during the National Governors Association annual winter meeting, they agreed residents are feeling the sting of rising rent and housing costs because the country is not building enough homes." Minnesota Governor Tim Walz (D) said, "So in one place, the builders tell us the rent's too high because if I build, I'm not going to be able to fill 'em with these folks who can't afford it. On the other end, they say the rent's too low, that nobody's used to paying more than \$800 a month or what it might be." Discussing affordable housing issues in a state with an aging population, Vermont governor Phil Scott (R) "said in an effort to attract more families, Vermont passed a \$35 million housing bond last year that's leveraging another \$65 million in private assets – the single largest investment the state has made in housing."

### **PACE Market Grappling With Regulatory Hurdles After Mixed Success In 2018. (GLOBCAP)**

Behind a paywall, [GlobalCapital](#) (2/25, Kang, Subscription Publication) reports, "A Sunday panel on the Property Assessed Clean Energy market agreed that 2018 was an 'eventful year' for both residential and commercial PACE, and though speakers said they had observed an increased appetite for private placements as well as larger deals across the sector, some policy headwinds persist." Natixis Executive Director Brock Wolf said it was "a bad year" for R-PACE, adding, "Volumes were down substantially, [especially in] California when regulations went into effect." He said that C-PACE fared better, with issuance volume having increased by around \$270 million in 2018.

### **MBA White Paper Pushes Back On Some Common "Myths" About IMBs. (NATMORNW, MORTND, MREP)**

[National Mortgage News](#) (2/25) reports, "Policymakers could improve independent mortgage banks' financial stability by giving these companies improved access to liquidity, according to the Mortgage Bankers Association. Among other things, policymakers should 'ensure the mortgage servicing compensation regimes of the GSEs and Ginnie Mae present and support a deep and liquid market for mortgage servicing rights for servicers of all sizes and business models,' the group said in a recent report."

[Mortgage News Daily](#) (2/25, Swanson) reports the MBA “just published a White Paper discussing the current role of” independent mortgage banks (IMBs) and addressing various “myths” espoused by critics. First, MBA addresses the “myth” that “IMB share growth is new and unprecedented.” MBA says that IMB share ebbs and flows with market developments, stepping in to “fill the gap” that emerges when banks pull back. Second, MBA addresses the “myth” that unregulated IMBs “are part of the risky shadow financial system of non-banks taking market share from regulated institutions.” MBA says that IMBs are subject to regulatory oversight from state and federal agencies, as well as counterparty oversight. MBA also cautions that regulatory constraints on IMB market share do not ensure that banks come back to fill the role of IMBs. Many banks pulled back due to regulatory risk or “overzealous” consumer protection enforcement, reputational risk, and “uncertainty about the False Claims Act and GSE buyback demands,” as well as “punitively high” capital standards. Third, MBA argues that IMBs do not originate risky mortgages that represent a dangerous return to pre-crisis lending trends. And fourth, MBA pushes back against the assertion that IMBs pose a systemic risk, asserting that although some government entities like Ginnie Mae face risk, shocks would only be severe in “extreme” cases.

[M Report](#) (2/25, Ojha) adds, “the white paper made policy recommendations to enhance the stability of the housing finance market keeping the expanded role of IMBs in mind. They included: Ensuring qualified mortgage standards as well as government-sponsored enterprises (GSEs) and FHA/VA lending standards remained focused on creditworthy borrowers and safe products; Granting IMBs eligibility for the Federal Home Loan Banks (FHLB) system to further strengthen their liquidity position while maintaining FHLB’s core mission of supporting institutions that are committed to housing finance; Providing government housing finance programs with the funding and resources needed to conduct a thorough counterparty oversight and identify emerging risks”; and ensuring that “the mortgage servicing compensation regimes of the GSEs and Ginnie Mae preserve and support a deep and liquid market for mortgage servicing rights for all types of servicers.”

#### **NY Fed “Streamlining Its Ginnie Mae Holdings” Through CUSIP Aggregation. (NATMORNW)**

[National Mortgage News](#) (2/25, Finkelstein) reports, “The Federal Reserve Bank of New York is streamlining its Ginnie Mae holdings by combining mortgage-backed securities with similar characteristics into larger pass-through instruments. The process, called CUSIP aggregation, is commonly used by other MBS holders and the New York Fed already has done this to consolidate its Fannie Mae and Freddie Mac holdings, it said in an operating policy statement. All three secondary market agencies offer this aggregation service, the New York Fed said.”

#### **HUD Granting Additional \$652M For Hurricane Harvey Recovery In Texas. (HOUSEWR)**

[HousingWire](#) (2/25, Lane, 7K) reports HUD “announced Monday that it is granting an additional \$652 million” to aid Texas’ recovery from Hurricane Harvey. This is on top of “more than \$5 billion that HUD originally gave Texas.” The “new grant money will come through HUD’s Community Development Block Grant-Disaster Recovery Program,” and it will be used “for the restoration of damaged and destroyed homes, businesses, and infrastructure in the hurricane-affected areas.” HUD Secretary Carson said, “Today, we’re taking another important step along the path to recovery for hard-hit areas in East Texas. HUD is committed to working alongside Texans to rebuild their homes, restore their businesses and repair their critical infrastructure.”

#### **Equifax Expects Punishment From CFPB, FTC Over Data Breach. (HOUSEWR)**

[HousingWire](#) (2/25, Lane, 7K) reports, “Equifax is expecting various forms of punishment from the Consumer Financial Protection Bureau and the Federal Trade Commission over the credit reporting agency’s massive data breach that exposed the personal information of 148 million U.S. consumers to hackers. The company revealed the expected sanctions in a recent filing with the Securities and Exchange Commission.”

#### **Small Banks Are Producing “Solid Returns Despite Competition, Regulation, And A Flat Yield Curve.” (AMBNKR)**

[American Banker](#) (2/25, Subscription Publication, 22K) reports that as “big banks announce seven-figure cost-cutting plans,” smaller institutions “are producing solid returns despite competition, regulation and a flat yield curve, among other things.” Although the “number of banks with less than \$500 million in assets fell by 22 percent between 2014 and 2018” according to FDIC data, they have also “become more profitable, with average 2018 earnings rising by 35 percent from 2014, to \$2.2 million.”

#### **Former FHA Commissioner Carol Galante Stepping Down From Ocwen’s Board. (INSDMORTG, HOUSEWR)**

Behind a paywall, [Inside Mortgage Finance](#) (2/25, Muolo, Subscription Publication) reports former FHA Commissioner Carol Galante announced on Monday that she will step down as Director of Ocwen in May. She gave no reason for her departure. After leaving FHA in 2014, she joined Ocwen’s board “roughly three years ago.” Following Galante’s announcement, Ocwen “named two new directors: Jenne Britell and Kevin Stein, effective in March when the company files its Form 10-K” with the SEC.

[HousingWire](#) (2/25, Lane, 7K) provides additional coverage.



### **Black Knight Partners With LERETA On Enhancing Tax Reporting Services. (DSN)**

[DS News](#) (2/25, Williams) reports Black Knight has partnered with LERETA to “enhance tax reporting services to Black Knight’s MSP servicing system customers,” saying that this will allow “servicers on MSP to experience enhanced integration to improve data exchanges,” reduce payment timeframes, eliminate “manual report entry errors,” improve processing, and offer an “improved customer experience.”

### **Wells Fargo Bringing LIFT Down Payment Assistance Program To Houston. (HOUSEWR)**

[HousingWire](#) (2/25, Basile, 7K) reports Wells Fargo “announced Monday it is partnering with NeighborWorks America and nonprofit organizations to bring down payment assistance to prospective homebuyers in Houston,” committing “\$6.1 million in housing assistance in the form of \$15,000 grants to qualified home buyers in the city through the partnership.” This “marks the 68th LIFT program since the program was first introduced in 2012,” when it was created by Wells Fargo and NeighborWorks.

### **Survey: Housing Outlook Not Getting Any Boost From Fed Guidance. (REU)**

[Reuters](#) (2/26, Kishan) reports, “The latest Reuters survey of nearly 40 housing analysts and economists polled Feb. 13-25 suggests a turn in Federal Reserve rate guidance...has given no boost to the outlook.” According to the poll, “average U.S. property prices in the United States will rise 4 percent this year, slowing to rises of around 3 percent in the following two years. That is broadly unchanged from a poll taken in November 2018. ... When analysts were asked what was most likely to reverse this trend and boost demand for housing, a majority, 15 of 25, chose no further Fed rate hikes from a list of options. The remaining one-third of analysts had a range of views, including increased spending on infrastructure and more tax cuts.”

### **Queen Latifah Invests \$14M In Affordable Housing In Her NJ Hometown. (HOUSEWR)**

According to [HousingWire](#) (2/25, Basile, 7K), “Hip-hop icon Queen Latifah is entering the affordable housing market by investing in several multifamily units in her hometown of Newark, New Jersey. NJ.com reports that the entertainer is returning to the city and investing in a cluster of multifamily townhomes worth \$14 million. The report states that the construction on the units is expected to begin this summer.”

### **BankThink: CFPB’s Payday Lending Reversal Will Harm Struggling Americans. (AMBNKR)**

In a BankThink piece for [American Banker](#) (2/25, Subscription Publication, 22K), Christopher Peterson, the John J. Flynn Professor of Law at the University of Utah and Financial Services Director of the Consumer Federation of America, criticizes the CFPB’s proposed revision to the payday lending rules. Peterson says that payday lenders have lobbied to protect their profits, submitting “thousands of fraudulent comments to the CFPB,” and now, “it looks like the Trump Administration is planning to give the predatory loan lobby what it wants.” The CFPB’s new approach “would effectively allow hamster-wheel payday lending to continue unabated,” leaving “economically struggling Americans with no meaningful federal protection from abusive loans that leave people worse off.” Peterson adds, “If the CFPB does not move forward with its payday lending regulation, it is time for Congress to enact – and the banking industry to accept – a modern, credit card tolerant, national usury limit of 36 percent per annum to stop payday lenders’ loan sharking once and for all.”

### **Continuing Coverage: Black Knight Says Mortgage Prepayment Speeds Hit 19-Year Low In January. (NATMORNW)**

[National Mortgage News](#) (2/25, Tarkazikis) reports, “Mortgage prepayment speeds fell to a 19-year trough despite recent interest rate declines, but could rise if those lower rates lead to an increase in home purchases, according to Black Knight. The monthly prepayment rate plummeted 25.2 percent year-over-year in January to 0.59 percent, the lowest this share has been since November 2000. On a monthly basis, the prepayment rate fell 10.2 percent from December. But housing turnover, which is currently the primary driver of mortgage prepayments, typically bottoms out in January and February, so this narrative may shift should rates hold steady during the spring home buying season, according to Black Knight.”

## **TOP NATIONAL NEWS**

### **Trump Touts Stock Market Rise Since His Election. (REU)**

President Trump [tweeted](#) yesterday, “Since my election as President the Dow Jones is up 43% and the NASDAQ Composite almost 50%. Great news for your 401(k)s as they continue to grow. We are bringing back America faster than anyone thought possible!”

**US-China Trade Deal Optimism Tied To US Stocks’ Gains.** [Reuters](#) (2/25, Sanyal) reports that stocks in the US rose Monday after President Trump “said he would delay a planned hike in tariffs on Chinese imports and that the two countries were ‘very, very close’ to a trade deal.” However, Reuters says “Wall Street’s three major indexes pulled back from session highs as investors waited for new catalysts such as an actual deal with China.”

### **Trump Warns OPEC Higher Oil Prices Could Hurt “Fragile” Global Economy.**

The President took to [Twitter](#) yesterday to write, “Oil prices getting too high. OPEC plans to raise prices. This is a bad deal for the world. We need to get a deal done.”



and take it easy. World cannot take a price hike – fragile!”

**Survey: More Than Three-Quarters Of Business Economists Expect Recession By End Of 2021. (BLOOM, USAT, WSJ)**

[Bloomberg News](#) (2/25, Tanzi, 5.38M) reports a National Association for Business Economics survey released Monday found that “more than three-quarters of business economists expect the US to enter a recession by the end of 2021, though a majority still estimate the Federal Reserve will continue raising interest rates this year.” According to the survey, 10 percent “saw a recession beginning this year, 42 percent project one next year, while 25 percent expect a contraction starting in 2021.” The remainder “expect a recession later than 2021 or expressed no opinion, the Jan. 30-Feb. 8 poll of nearly 300 members showed.”

**Only Two US Cities Are Currently In Recession.** [USA Today](#) (2/25, Davidson, 12.61M) reports that currently, “just two metro areas – former manufacturing strongholds Elmira, New York, and Danville, Illinois – are mired in an economic downturn, according to Moody’s Analytics’ recession tracker.” Moody’s data show that this is “the fewest number in recession since the late 1990s.” USA Today says this means “the US economy is so strong that it has lifted even the handful of the 400 metro areas that were floundering.” However, “despite the booming economy, Elmira and Danville remain outside the party looking in, stuck in a kind of economic purgatory.” USA Today says the towns’ struggles “exemplify the plight of fading factory towns in rural areas that are losing population and can’t rely on other economic pillars to cushion the blow.”

**Blinder: Trump Policies Deserve Credit For Long Economic Expansion.** In an op-ed for the [Wall Street Journal](#) (2/25, Subscription Publication, 6.65M), Alan S. Blinder, a professor of economics and public affairs at Princeton University and a former vice chairman of the Federal Reserve, writes that the economic expansion which began in June 2009 is likely to break the record for longevity and President Trump’s economic policies deserve the credit. Blinder says the expansion will be known as the Obama-Trump expansion, thereby forever linking Trump and former President Obama in US economic history.

**Payday Lending Attorney Sponsored Academic Research To Support Deregulation. (WP)**

The [Washington Post](#) (2/25, Merle, 14.71M) reports that payday lending industry attorney Hilary Miller partnered with Kennesaw State University Statistics Professor Jennifer Priestley to produce a pro-payday lender research paper on the financial impact of long-term usage of payday loan services. The unidentified research paper sought to influence the Obama Administration’s CFPB, which planned to introduce new regulations targeting the payday loan industry. Campaign for Accountability Executive Director Daniel Stevens condemned the revelation in a statement saying, “Not only is the payday-lending industry choosing professors to write studies on their behalf; in this case they are writing the studies themselves.”

**GE Finalizes \$21B Biopharma Division Sale To Danaher. (REU, WSJ)**

[Reuters](#) (2/25, Ajmera, Mishra) reports that General Electric finalized its negotiations to sell the corporation’s bio-pharmaceutical division to Danaher Corp for \$21.4 billion on Monday. The announcement is seen as a complete reversal for GE after it rejected Danaher’s offer last year before GE CEO Larry Culp accepted the chief executive position. While the sale will provide an estimate \$20 billion in proceeds to reduce its \$121 billion debt, GE Power remains the primary problem division for GE. GE sources expect the sale to be fully executed later this year.

The [Wall Street Journal](#) (2/25, Gryta, Subscription Publication, 6.65M) reports that Culp had initially sought to separate GE’s bio-pharmaceutical division into a separate company through an IPO. The announced plan follows other recent GE sales that include Wabtec Corp’s purchase of GE’s transportation division and GE’s reduction of its ownership stake in Baker Hughes.

**SEC Asks Court To Hold Musk In Contempt Over Social Media Comments. (WSJ, WP)**

The [Wall Street Journal](#) (2/25, Michaels, Higgins, Subscription Publication, 6.65M) reports the Securities and Exchange Commission asked the federal court to hold Tesla CEO Elon Musk in contempt after the SEC accused him of breaking the terms of his December 2018 settlement agreement. Musk previously agreed to allow the SEC to review all social media posts for accuracy, but he did not provide the SEC with any notice before issuing a series of [tweets](#) on February 19th.

The [Washington Post](#) (2/25, 14.71M) reports that the SEC settlement deal saved Musk’s position as Tesla’s CEO at the cost of \$20 million and his role as company chairman.

**Buffett: I Overpaid For Kraft Heinz. (WSJ)**

The [Wall Street Journal](#) (2/25, Friedman, Subscription Publication, 6.65M) reports that Berkshire Hathaway CEO Warren Buffett admitted to overpaying for Kraft Heinz during a CNBC interview on Monday. However, Buffett dismissed rumors that Berkshire Hathaway plans to modify its ownership stake in Kraft Heinz after Kraft Heinz contributed a \$2.7 billion loss to Berkshire Hathaway’s 2018 financial report.

**Seoul: Trump, Kim May Declare End Of Korean War At Summit. (NYT, ABC, REU, AXIOS, LAT, AP, NBC, CBS, FOX, WP, USAT, WSJ, WT, PMZ, CALLER, UPI)**

President Trump took to [Twitter](#) Monday afternoon to write, “Heading over to Vietnam for my meeting with Kim Jong Un. Looking forward to a very productive Summit!” Earlier in the day, Trump [tweeted](#), “Meeting for breakfast with our Nation’s Governors – then off to Vietnam for a very important Summit with Kim Jong Un. With complete Denuclearization, North Korea will

rapidly become an Economic Powerhouse. Without it, just more of the same. Chairman Kim will make a wise decision!" The [New York Times](#) (2/25, Shear, 17.89M) reports the President's "optimistic assessment came amid indications that the administration may be preparing to deliver something that Mr. Kim desperately wants: a joint political statement declaring an end to the Korean War." However, the Times says it is "uncertain how much progress toward denuclearization Mr. Trump is prepared to demand from Mr. Kim in exchange for a declaration of peace."

On [ABC World News Tonight](#) (2/25, story 4, 2:30, Muir, 10.66M), Jonathan Karl said Trump is "eager to leave his political problems behind and hungry for a win on the world stage. The President believes he can succeed where his predecessors failed, but he faces skeptics, some in his own Administration, who say Kim Jong Un has no intention of giving up his nuclear weapons." Karl said Kim "is looking for a win too, eager to free his country from crippling economic sanctions."

[Reuters](#) (2/25, Shin) says "hope raised on Monday for an official peace on the peninsula at long last." Trump, speaking ahead of his departure for the summit, "said he believed he saw eye to eye with Kim and that they had developed 'a very, very good relationship.' But he appeared to play down any hope of a major breakthrough." According to Reuters, "speculation the Trump administration is open to a limited deal at the summit has raised expectations the two sides might declare an end" to the Korean War.

The [New York Times](#) (2/25, Choe, 17.89M) reports South Korean officials on Monday indicated that Trump and Kim "could agree on a joint political statement declaring an end" to the war. Kim Eui-kyeom, a spokesman for South Korean President Moon Jae-in, said, "The possibility is open. We still don't know exactly what format the end-of-war declaration will take, but there is an ample possibility of North Korea and the United States agreeing to such a declaration."

Bonnie Jenkins writes for [Axios](#) (2/25, 745K) that "if Trump is serious about denuclearizing North Korea, he should also use the summit...to take steps toward negotiating a peace agreement and formally ending the Korean War." The [Los Angeles Times](#) (2/25, Kim, 4.55M), however, reports that the declaration "would not be the same as a legally binding peace treaty, so technically either side could go back on their word."

Under the headline "Expectations Low As Trump Looks For Win In North Korea Summit," the [AP](#) (2/25, Lemire) reports Trump "will head into his second meeting with...Kim...having reframed what would make a successful summit, lowering expectations for Pyongyang's denuclearization while eager to declare a flashy victory to offset the political turmoil he faces at home." [NBC Nightly News](#) (2/25, story 4, 1:50, Guthrie, 9.56M) too said "Trump has been...trying to lower expectations for this summit...referring to the fact that North Korea has not conducted a missile test since late 2017."

In the lead story for the [CBS Evening News](#) (2/25, lead story, 3:20, Dickerson, 7.37M), Ben Tracy reported Trump has "said he's no longer insisting that North Korea quickly denuclearize," stating, "I'm not in a rush. I don't want to rush anybody. I just don't want testing. As long as there's no testing, we're happy." However, Tracy reported that while "North Korea has not tested any more weapons for more than a year...there is clear evidence the regime is still producing nuclear fuel and working on its weapons program."

On [Fox News' Fox & Friends](#) (2/25, 1.01M), co-host Brian Kilmeade said, "A lot of people are actually souring on this summit 2.0 before it even happens." Co-host Ainsley Earhart added that President Trump has said, "As long as there is no testing, we are happy." Kilmeade added, "I don't love the statement that he made yesterday, when he said, 'if they just don't test, I'm okay with it.'" According to Kilmeade, "That's an over-simplification," because the North Koreans "can build without testing."

Simon Denyer writes in a [Washington Post](#) (2/25, 14.71M) analysis that the "outlines for a grand bargain" between Trump and Kim "are broadly in place," but the "question in Hanoi this week is whether the two men can close the deal." Denyer says last year's summit between the two leaders "was criticized by many experts because Trump failed to secure any concrete pledges from Kim to surrender his nuclear weapons." He writes that "it is far from clear the US and North Korean negotiating teams have had enough time to reach a deal on the core issue – denuclearization – ahead of this hastily arranged summit, or indeed whether two sides can find common ground, experts say."

[USA Today](#) (2/25, Fritze, Collins, 12.61M) reports that while "Trump has maintained punishing economic sanctions on North Korea," he has "also held out what he describes as the economic benefits for North Korea if it chooses to denuclearize." Kim, however, "has shown little sign he intends to take concrete steps toward denuclearization."

A [Wall Street Journal](#) (2/25, Jeong, Yoon, Subscription Publication, 6.65M) analysis says sanctions no longer have much leverage for the US, as North Korea has adapted to them. [Reuters](#) (2/25, Smith) reports along similar lines that "analysts say time is running out on Washington's 'maximum pressure' campaign." While Kim "appears eager to secure at least some relief from sanctions," Reuters reports that "across the region there are signs the political and economic pressure on North Korea has sprung leaks as Pyongyang adapts to restrictions and more countries signal their willingness to reopen trade."

**Babin, WSJournal, Hilton And Hannity Among Those Praising Trump's Efforts.** Rep. Brian Babin (R-TX) writes in [USA Today](#) (2/25, 12.61M) that with President Trump's "bold new tack in dealing with North Korean leader Kim Jong Un, we are closer to discovering a path to peace than we've been in decades. That progress was unthinkable little more than two years ago."

This week's summit in Hanoi, he argues, "is another step in the right direction, but it can only

succeed if all options remain on the table.”

A [Wall Street Journal](#) (2/25, Subscription Publication, 6.65M) editorial says Trump deserves some credit for diplomatic outreach to Kim, which it argues has created an opening to reduce the risk of nuclear war. The question now, it says, is whether the talks can translate into a tangible deal.

Fox News’ Steve Hilton said on [Fox News’ Special Report](#) (2/25, 2.27M), “You see a lot of criticism of the President from the foreign policy establishment and his political rivals saying there’s not enough concrete steps here, nothing is really happening. But the fact that they are talking, that is a positive result. Frankly, if any other President, whether Republican or Democrat, had got to this point, first by getting China to participate in the pressure campaign and then to really reboot this relationship so that we are talking rather than being on the brink of nuclear catastrophe, they would be hailed as a foreign policy genius.”

Sean Hannity said on [Fox News’ Hannity](#) (2/25, 3.11M), “The President’s peace-through-strength policies have been overwhelming successful. The President deployed multiple aircraft, strike groups to the region, increased sanctions, squeezed North Korea’s only ally, China, and making progress as he talked about this weekend. The missiles haven’t been fired in 15 months. The threats have stopped. Kim Jong un is back at the table discussing denuclearization. We got our hostages back. We got the remains from the Korean War. And of course, the President has given nothing in return to them.”

**USA Today: Talk Of Nobel Peace Prize “Premature.”** [USA Today](#) (2/25, 12.61M) editorializes President Trump “covets a Nobel Peace Prize for his limited efforts (his staff successfully solicited a nomination for the prize from Japanese Prime Minister Shinzo Abe last year, according to Japan’s Asahi Shimbun newspaper)” with North Korea. USA Today argues that “if, eventually, there’s tangible and verifiable progress that persuades Kim to relinquish horrible weapons of mass destruction, then we can talk Nobel. Until then, the prize is as premature as the one awarded to Trump’s predecessor.”

**WPost A1 Analysis: Trump Has “Unwavering Faith” In Relationship With Kim.** The [Washington Post](#) (2/24, A1, Rucker, Dawsey, 14.71M) reports on its front page that despite warnings from his advisers and allies around the world, “Trump is steadfast in his determination to meet face-to-face” this week with Kim Jong Un, “aides say, because he has an unwavering faith in the power of the pen-pal relationship he has cultivated with the North Korean leader not only to bend the course of history but to shape his own legacy.” The Post adds that Trump said Sunday, “It’s a very interesting thing to say, but I’ve developed a very, very good relationship. We’ll see what that means. But he’s never had a relationship with anybody from this country and hasn’t had lots of relationships anywhere.” The Post says that since their first meeting last year, “the two leaders have adopted a strategy of playing to each other’s ego with gushing and gratuitous adoration in pursuit of their aims.”

**LATimes Analysis: Trump’s Engagement With North Korea Supported By South Korean Liberals.** The [Los Angeles Times](#) (2/25, Kim, 4.55M) reports President Trump’s engagement with North Korea has made him “something of a hero to South Korean liberals who have long advocated rapprochement with the North.” In fact, South Korean liberals “are praising Trump for diplomatic prowess and bold decision-making, with one prominent academic calling his presidency a ‘blessing’ for the Korean peninsula.”

**CBS News Analysis: Vietnam A Strategic Location For Summit.** The [CBS Evening News](#) (2/25, story 2, 0:30, Glor, 7.37M) reported the decision to hold the summit in Vietnam “is a purposeful one” According to CBS, the US is highlighting Vietnam’s economic success as an example for North Korea. The [Washington Times](#) (2/25, Boyer, 544K) similarly reports that “when President Trump looks at Vietnam, he sees what North Korea could become – a thriving economy with luxury high-rises and beachfront condos that has rebuilt itself under Communist rule.”

The [New York Times](#) (2/25, Ives, 17.89M) reports South Korea and the United States “see Vietnam’s postwar reconciliation with old enemies – and its booming economic growth of the last few decades – as a potential model for Mr. Kim’s government to follow.” The Times says Kim’s “movements and comments in Vietnam may offer a glimpse of whether he agrees.”

The [AP](#) (2/25, Klug) reports with both Trump and Kim en route to Hanoi for this week’s talks, “Vietnamese officials scrambled Monday to finish preparations for a rushed summit that will capture global attention. Officials in Hanoi said they had about 10 days to prepare for the summit – much less than the nearly two months they said Singapore was given for the first Trump-Kim meeting last year – but still vowed to provide airtight security for the two leaders.” Deputy Minister of Foreign Affairs Le Hoai Trung told reporters at a briefing, “Security will be at the maximum level.”

**North Koreans In Japan Hopeful Ahead Of Summit.** The [New York Times](#) (2/25, Rich, 17.89M) reports that ahead of this week’s summit, “there is nervous anticipation that a political thaw could ease the North out of its long isolation. Perhaps nowhere is that hope stronger than among ethnic Koreans...in Japan – a community that embraced North Korea as the rest of the world cut it off.”

**Russia: US Asked For Advice On North Korea Talks.** The [AP](#) (2/25) reports Russian Foreign Minister Sergey Lavrov said Monday that the US “has asked Moscow’s advice in dealing with North Korea” ahead of this week’s summit in Vietnam. Lavrov, “who is also visiting Vietnam this week, said in comments carried by Russian news agencies on Monday that Russia believes that the US ought to offer Pyongyang ‘security guarantees’ for the disarmament deal to succeed.”

**Donilon: Trump Misleading American People About North Korea.** Former National Security Adviser Tom Donilon writes for [Politico Magazine](#) (2/25, 3.62M) that while “diplomacy is

clearly the preferable path," President Trump "has not leveled with the American people about the nature of the North Korean nuclear threat or about what his outreach has accomplished." Donilon argues that "the American people, as well as our allies, have important decisions to make about the level of risk from North Korea we are prepared to accept. The least we can demand of our president is that he soberly take stock of the threat and deliver an honest assessment of it to the nation."

**Brookings Fellow: US Must Confront North Korea's Human Rights Record.** Thomas Wright, director of the Center for the US and Europe at the Brookings Institution, writes for [Politico Magazine](#) (2/25, Wright, 3.62M) that Secretary of State Pompeo was recently "pressed about human rights violations in North Korea," and said, "We talk about them with great frequency, the same way we talk about human rights violations in every country in which we find them." Wright calls this "an extraordinary statement" that "rewrit[es] history to sanitize the North Korean regime."

**Poll: Americans Have Best Perception Of US' World Image Since 2003.** The [Daily Caller](#) (2/25, Athey, 645K) reports "Americans' favorability perception of the United States' image around the world is the highest it's been since the start of the Iraq War in 2003, according to a new Gallup poll." The poll found "58 percent of Americans surveyed said that they believe the United States is viewed 'very' or 'somewhat favorably' in the eyes of the world, up slightly from 55 percent last year." The DC says "notably, that is the highest net favorability rating since 2003, when Gallup recorded 61 percent of respondents believe the United States was viewed favorably in the world's eyes." [UPI](#) (2/25) reports there is a "sharp divide between Democrats and Republicans...with 36 percent of Democrats rating it favorably, versus 80 percent of Republicans."

### **Trump Calls On Republicans To Oppose Democrats On Border Emergency Vote. (CNN, WP, WASH, POLITICO, NYT, REU)**

President Trump took to [Twitter](#) yesterday to write, "I hope our great Republican Senators don't get led down the path of weak and ineffective Border Security. Without strong Borders, we don't have a Country – and the voters are on board with us. Be strong and smart, don't fall into the Democrats 'trap' of Open Borders and Crime!" CNN White House correspondent Abby Phillip said on [CNN's Situation Room](#) (2/25, 1.05M) that Trump "seems concerned that Republicans could join Democrats in rebuking him" over the emergency declaration, and the [Washington Post](#) (2/25, Wagner, 14.71M) that the "measure is expected to pass easily in the Democratic-controlled House on Tuesday, forcing a difficult vote for GOP senators, who will have to weigh whether to support Trump on a move that even some in his party have criticized as circumventing the will of Congress."

The [Washington Examiner](#) (2/25, Ferrechio, 345K) points out that their "rush to block...Trump's border wall, House Democrats will vote...before they convene a hearing on the issue to discuss it." Instead, "House Judiciary Committee Democrats announced they will hold a hearing Thursday on Trump's emergency declaration, two days after the House is scheduled to vote."

**Tillis To Join Murkowski And Collins In Vote Against Emergency.** Sen. Thom Tillis (R-NC) writes in the [Washington Post](#) (2/25, 14.71M) that "Trump has few bigger allies than me when it comes to supporting his vision of 21st-century border security, encompassing a major investment in technology, personnel and infrastructure, including new physical barriers where they will be effective." However, "conservatives rightfully cried foul when President Barack Obama used executive action to completely bypass Congress and unilaterally provide deferred action to undocumented adults who had knowingly violated the nation's immigration laws." Accordingly, "there is no intellectual honesty in now turning around and arguing that there's an imaginary asterisk attached to executive overreach – that it's acceptable for my party but not thy party." Adds Tillis, "As a US senator, I cannot justify providing the executive with more ways to bypass Congress."

[Politico](#) (2/25, Everett, Levine, 3.67M) reports "Trump is on the verge of a bipartisan rejection of his emergency declaration at the border in what would be an embarrassing rebuke by a Congress opposed to his immigration agenda." Tillis "said he would join Republican Sens. Lisa Murkowski of Alaska and Susan Collins of Maine, along with 47 Senate Democrats to block Trump's attempts to secure billions for his border wall after lawmakers effectively stifled him." Politico adds that "now just one more GOP senator's support for a resolution to block Trump's bid would send the measure to Trump's desk and force a veto."

**Former GOP Lawmakers, National Security Officials Urge Congress To Undo Emergency Declaration.** The [New York Times](#) (2/25, Cochrane, 17.89M) reports that "more than 25 former Republican lawmakers and nearly 60 former senior national security officials" have "appealed to Congress...to kill" Trump's declaration of a national emergency, "countering Republican leaders' effort to hold down defections Tuesday on a scheduled House vote to block the president." The Times notes that the signers include former GOP Senators John Danforth, Chuck Hagel, Olympia Snowe and Richard Lugar.

**Pro-Trump Group To Launch TV Ad Campaign To Boost Emergency Declaration.** [Reuters](#) (2/25, Gibson) reports "a political group backing...Trump's 2020 re-election bid will run national television ads this week seeking to bolster support in Congress for his efforts to build a wall along the US-Mexico border as lawmakers try to block him." The America First Policies ad "features former Border Patrol chief Mark Morgan, who served under former President Barack Obama, discussing dangers at the border and urging construction of a wall, according to a video seen by Reuters." America First Policies "will spend \$250,000 on the ad campaign, which will air on



Fox News starting on Tuesday and conclude on Friday, according to Erin Montgomery, a spokeswoman for the group."

#### **Wisconsin Governor Pulling National Guard Troops From US-Mexico Border. (MKEJRNL)**

The [Milwaukee Journal Sentinel](#) (2/25, Beck, 760K) reports Gov. Tony Evers (D-WI) has issued an executive order "pulling back Wisconsin troops from the US border with Mexico. Evers [said](#) he is withdrawing the 112 Wisconsin National Guard soldiers and airmen from Arizona because 'there is simply not ample evidence to support the president's contention that there exists a national security crisis at our southwestern border.'"

#### **Congress Set To Return To Issue Of "Dreamers." (WSJ)**

The [Wall Street Journal](#) (2/25, Radnofsky, Andrews, Subscription Publication, 6.65M) reports that with a fight over border security funding behind them, lawmakers are now preparing to return to the issue of the young immigrants called "Dreamers." The Journal says Democrats face pressure to resolve the Dreamers' status, but Senate Republicans are unlikely to agree to any measure passed by the House if it does not also strengthen border security.

#### **WSJournal: Microsoft Must Continue Military Contracts. (WSJ)**

In an editorial, the [Wall Street Journal](#) (2/25, Subscription Publication, 6.65M) criticizes the new demand from Microsoft employees that the company cancel its DOD contract out of the concern the augmented-reality project would desensitize soldiers to war. The Journal laments the growing influence of liberal technology workers because of the long-term damage such campaigns can cause to the military, which increasingly leverages technology to enhance its effectiveness. The Journal praises Microsoft CEO Satya Nadella for his public commitment to continue supporting the US military.

#### **Number Of Agricultural Visas At Record High. (WP)**

The [Washington Post](#) (2/26, A1, Gowen, 14.71M) reports on its front page that with "the number of people crossing into the United States illegally...nearing the lowest level in decades," the agriculture industry has "turned to temporary visa programs that recruit workers in Mexico and Central America. Since 2016, the number of U.S. agricultural visas has grown from 165,000 to 242,000, a record high, according to the Labor Department." Visa recruiters "are now driving into remote villages in Mexico," and "in rural America, farmers are converting hotels into dormitories for visiting Mexican apple-pickers."

#### **AP Analysis: Far More H-1B Applicants Are Being Asked For Additional Information. (AP)**

The [AP](#) (2/25, Sedensky) reports that more immigrants who have "specialized skills" are "being denied work visas or seeing applications get caught up in lengthy bureaucratic tangles." According to the AP, "Getting...an H-1B visa has never been a sure thing," but "some immigration attorneys...say they've seen unprecedented disruptions in the approval process since Trump took office." The AP reports that the attorneys "say one of the biggest shifts is an increase in 'requests for evidence,' or RFEs, from US Citizenship and Immigration Services," which "can delay a visa for months or longer as applicants and employers are forced to submit additional documentation." The AP says "USCIS data released on Friday shows an increase in the number of completed H-1B applications receiving an RFE, from about 21 percent in the 2016 fiscal year to 38 percent last fiscal year," and up to 60 percent in "the first quarter of this fiscal year."

#### **AOC: Banks Need To Justify Loans To Companies That Run Migrant-Detention Facilities. (BLOOM)**

[Bloomberg](#) (2/25, Abelson, 5.38M) reports that Rep. Alexandria Ocasio-Cortez (D-NY), a member of the House Financial Services Committee, "wants Wall Street to tell Congress why it's lending to private prisons that hold undocumented immigrants." Ocasio-Cortez is quoted as saying, "We're going to hold oversight hearings to make these banks accountable for investing in and making money off of the detention of immigrants. ... Because it's wrong." According to Bloomberg, "JPMorgan Chase & Co. and Bank of America Corp., the two biggest US banks, are among lenders to GEO Group Inc. and CoreCivic Inc., which run facilities that have held immigrant families."

#### **NYTimes: Increase Aid To Central America To Slow Down Migrants' Exodus. (NYT)**

The [New York Times](#) (2/25, 17.89M) editorializes that with "thousands of families fleeing violence, poverty and oppression in Central America arrive at the American border, the Trump administration has responded by separating children and parents and cracking down on asylum claims." However, "a more humane, and effective, response would be to address the sources of the desperation that propelled these people north." While "it is Central American leaders who must carry out reforms," the US "can slow the exodus of the desperate by investing in democracy, judicial reform and economic growth. So far, Mr. Trump has shown little interest."

#### **Trump Blasts Senate Democrats For Blocking Bill To Prevent "Killing Of Infant Children." (HILL, WT, POLITICO, FEDERALST)**

In a pair of tweets Monday evening, President Trump lashed out at Senate Democrats, after they blocked legislation [The Hill](#) (2/25, Carney, 3.27M) says is "meant to respond to a political firestorm in Virginia over 'late-term abortion.'" The legislation from Sen. Ben Sasse (R-NE) would penalize



doctors who do not “exercise the proper degree of care in the case of a child who survives an abortion or attempted abortion.” The measure needed 60 votes to advance. The Senate vote was 53-44. Trump [tweeted](#), “Senate Democrats just voted against legislation to prevent the killing of newborn infant children. The Democrat position on abortion is now so extreme that they don’t mind executing babies AFTER birth ... This will be remembered as one of the most shocking votes in the history of Congress. If there is one thing we should all agree on, it’s protecting the lives of innocent babies.”

The [Washington Times](#) (2/25, Swoyer, 544K) says the Republican “effort to outlaw infanticide of babies born after botched abortions collapsed Monday, falling victim to a Democrat-led filibuster.” Sasse “said the fierce pushback from pro-choice activists was revealing.” He said, “Planned Parenthood and others refuse to draw a line between abortion and infanticide. ... That’s what their lobbying the last week has shown. That should tell us something about what these groups are really about.”

[Politico](#) (2/25, Ollstein, 3.67M) says the measure was “part of a Republican effort to squeeze Democrats ahead of the 2020 campaign.” According to Politico, “the bill’s Republican sponsors and outside anti-abortion groups lobbying for its passage made it clear that the intent of Monday’s vote was to undermine the growing pool of Senate Democrats running for president.”

**Marist Poll: More Americans Identify As Pro-Life.** [The Federalist](#) (2/25, Osburn, 57K) reports a new Marist [poll](#) shows “Americans’ attitudes on abortion have dramatically shifted over the last month.” According to the poll, Americans “are now as likely to identify as pro-life (47 percent) as they are pro-choice (47 percent).” A similar Marist poll taken last month “found Americans were more likely to identify as pro-choice than as pro-life by a 17-point difference.” The Federalist says the increase in Americans who identify as pro-life “comes after several states have passed or pushed for radical policies advocating for unlimited access to abortion, at any stage of gestation, for any reason or no reason at all.”

#### **Politico Analysis: Craft Has Limited Foreign Policy Experience. (POLITICO, WP)**

[Politico](#) (2/25, Panetta, Gardner, 3.67M) reports Kelly Craft, the current US Ambassador to Canada, and the President’s choice to be UN Ambassador, “is a billionaire known for her bursting political Rolodex, disarmingly sunny disposition – and limited foreign policy experience.” In her confirmation hearing, Craft will “face much tougher pitching than the softballs usually served up at a confirmation hearing for ambassador to Canada.” Craft “can expect Democratic inquisitors to drag her through a minefield of the world’s thorniest problems, from Iran to North Korea and Venezuela.”

**Boot: Craft Would Be A Laughingstock.** In his [Washington Post](#) (2/25, 14.71M) column, Max Boot expresses opposition to Craft, arguing she was selected for the job, as well as her current post as US Ambassador to Canada, “because she and her third husband, the billionaire coal baron Joe Craft, are mega MAGA-donors.” Boot writes that before Trump, no president “has ever treated the U.N. ambassadorship as a plum to be handed out to a campaign donor.” If she is confirmed, Boot writes, “Craft will arrive at the United Nations as a laughingstock – just like her boss.”

#### **Democrats Ask EPA IG To Probe Whether Officials Helped Former Client. (REU, WP)**

[Reuters](#) (2/25, Volcovici) reports that House Energy Chairman Pallone and Sens. Sheldon Whitehouse (D-RI) and Tom Carper (D-DE) have asked the EPA’s inspector general “to investigate whether two senior agency officials violated ethics rules by helping reverse an enforcement decision against their former client company.” According to Reuters, the Democrats want to know “whether the agency’s Assistant Administrator Bill Wehrum and Senior Counsel David Harlow violated federal ethics law.” Reuters adds, “At issue is their alleged involvement in a December 2017 EPA memo that changed agency policy in a way that benefited DTE Energy, a client of Wehrum and Harlow at their previous employer, Hunton & Williams, a law firm representing energy industry companies.”

Whitehouse told the [Washington Post](#) (2/24, Eilperin, 14.71M), “There’s a plain and flagrant violation of the ethics rules. ... It’s hard to overlook in an agency that’s absolutely riddled with industry operatives that appear to be putting a thumb, wrist, forearm and elbow on the scale for the industry patrons they service.” Wehrum “defended his conduct, saying he has followed the letter of the law on ethical matters.” Said Wehrum, “I have, from day one, tried to be absolutely strict and assiduous as to what I do about complying with my ethical obligations. ... Because it doesn’t do me any good, and it doesn’t do the agency any good, to be doing things that people see as unethical.”

#### **Acosta Faces Growing Questions Over Epstein Plea Deal. (NYT)**

The [New York Times](#) (2/25, Thrush, 17.89M) reports Labor Secretary Acosta “is facing rising pressure – and a possible summons to testify before Congress – over the lenient plea bargain that he helped negotiate as Miami’s top federal prosecutor with” Jeffrey E. Epstein, “a wealthy acquaintance of President Trump’s accused of trafficking children for sex.” Members of the Florida House delegation have been holding talks with the chairmen of the House Oversight and Judiciary Committees about calling Acosta about the 2006 plea agreement with Epstein, “who was accused of sex offenses involving girls as young as 14. He pleaded guilty to more minor prostitution charges.”

#### **Barrick Gold Makes Unsolicited Bid For Newmont Mining. (WSJ)**

The [Wall Street Journal](#) (2/25, Macdonald, McNish, Subscription Publication, 6.65M) reports that mining company Barrick Gold Corp has launched a surprise \$17.85 billion bid to acquire rival Newmont Mining Corp. Newmont CEO Gary Goldberg rejected the offer and said Newmont's ongoing acquisition negotiations for Goldcorp Inc. would take priority because Barrick Gold Corp's bid did not provide Newmont with a premium share value.

#### **Trump Organization Accuses House Panel Of Conflict Of Interest. (WP)**

The [Washington Post](#) (2/25, Hamburger, 14.71M) reports that Trump Organization lawyer Alan S. Futerfas "has asked the House Judiciary Committee to cease any investigations related to" the Trump Organization, "claiming that the panel's work has been tainted by its hiring of an outside lawyer whose firm has represented Trump's company." According to the Post, Futerfas "objected to the committee's hiring of Berry H. Berke on the grounds that his law firm, Kramer Levin, has represented the Trump Organization on an array of issues."

#### **NRA Criticized For "Target Practice" Headline Next To Pelosi Photo. (USAT)**

[USA Today](#) (2/25, Molina, 12.61M) reports the NRA is facing criticism for a story in the March issue of its magazine "American Rifleman" which is headlined "Target Practice" near images of House Speaker Pelosi, former Rep. Gabby Giffords (D-AZ), and other lawmakers. The story drew attention on social media "after Huffington Post senior politics reporter Jennifer Benders shared an image of the article." Rep. Dan Crenshaw (R-TX) "called out critics of the article, noting it's about legislating gun owners and not the NRA targeting lawmakers."

#### **Police Official Says There Is More Evidence Against Smollett. (USAT, ABC)**

[USA Today](#) (2/25, Deerwester, 12.61M) reports Chicago Police Superintendent Eddie Johnson told [ABC's Good Morning America](#) Monday that says "Empire" star Jussie Smollett "still has the presumption of innocence and he still has his opportunity in court if he chooses to go that route," but "there's a lot more evidence that hasn't been presented yet that doesn't support the version that he gave us. There's still a lot of video evidence, physical evidence and testimony that doesn't support what he said happened." [ABC World News Tonight](#) (2/25, story 7, 0:30, Muir, 10.66M) reported on "a key piece of evidence in the case against" Smollett. ABC News obtained "a copy of a \$3,500 check, appeared to be written by Smollett and made out to one of those two brothers police say he paid to stage that racist and homophobic attack. On the memo line, 'five-week nutritious workout program.' Sources close to Smollett said one of those brothers was training the actor for an upcoming music video, but police say the brothers told them the money was for the attack."

#### **LGBT Activist Accused Of Setting Fire To Her Own Home. (BREITBART)**

[Breitbart](#) (2/25, Caplan, 1.25M) reports longtime LGBT activist Nikki Joly has been accused by Michigan prosecutors of setting fire to her home and killing her pets "due to resentment from subsiding controversy over the enactment of nondiscrimination legislation he advocated for." According to the Detroit News, "law enforcement charge Joly, a transgender man from Jackson, Michigan, burned down her own home, killing five pets inside, in what was initially investigated by the FBI as an alleged hate crime in 2017."

#### **FDA To Require Drug Companies To Study Effectiveness Of Opioids For Chronic Pain. (WP)**

The [Washington Post](#) (2/25, Bernstein, McGinley, 14.71M) reports that the FDA will begin requiring drug companies to study if prescription opioids are effective at quelling chronic pain. FDA Commissioner Gottlieb said, "We are going to impose a mandate on existing products...to answer the question that people have been posing for years: whether you have declining efficacy, and whether that declining efficacy can lead to addiction."

#### **NBC Examines Human Trafficking In Atlanta. (NBC)**

On [NBC Nightly News](#) (2/25, story 2, 1:20, Guthrie, 9.56M), Gabe Gutierrez profiled human trafficking in Atlanta, "considered one of the top cities" for trafficking in the US. He reported, "In the last decade, more than 49,000 cases of human trafficking have been reported to the national hotline. It gets an average of 150 calls a day. ... It's a multi-billion dollar industry that's drawn increasing attention from the FBI, which has cracked down with sting operations across the country."

#### **NFL Patriots Owner Kraft Formally Charged With Soliciting Prostitution. (ABC, CBS, NBC)**

[ABC World News Tonight](#) (2/25, story 3, 1:25, Muir, 10.66M) reported that Florida's Palm Beach County State Attorney Dave Aronberg announced Monday the filing of criminal prostitution solicitation charges and an arrest warrant against Robert Kraft, who the Jupiter Police Department identified as participating in solicitation at the Orchids of Asia Day Spa. Aronberg said, "This charge is a first degree misdemeanor punishable by up to one year in jail and mandatory \$5,000 fine."

The [CBS Evening News](#) (2/25, story 3, 2:05, Dickerson, 7.37M) reported that Kraft is accused of visiting the spa over two consecutive days in January for solicitation purposes. The Jupiter Police Department used hidden cameras to conduct a sting operation against solicitors. Kraft's spokesman denied the accusation.

[NBC Nightly News](#) (2/25, lead story, 2:05, Guthrie, 9.56M) reported that the NFL issued a statement promising to "handle this allegation in the same way we would handle any issue under the league's personal conduct policy."

#### **NYTimes: Catholic Church Must Face Its "Ravenous Wolves." (NYT)**

In an editorial, the [New York Times](#) (2/25, 17.89M) argues that Pope Francis and the Vatican must cease hiding behind public statements and choose to face the plight of childhood sexual abuse by clergymen within their ranks. The Times criticizes the lack of action from the Vatican since the Boston Globe published the first investigation into Boston Catholic diocese sexual abuse allegations in 2002. Instead of treating abuse as a "personal moral lapse, to be treated as a sin to address through penitence and prayer," Church officials must identify and expose proven abusers as criminals.

#### **Trump Denounces Spike Lee's "Racist Hit" On Him. (USAT, HILL, FOX, WP)**

President Trump took to [Twitter](#) yesterday to write, "Be nice if Spike Lee could read his notes, or better yet not have to use notes at all, when doing his racist hit on your President, who has done more for African Americans (Criminal Justice Reform, Lowest Unemployment numbers in History, Tax Cuts, etc.) than almost any other Pres!" [USA Today](#) (2/25, Deerwester, 12.61M) points out that "though Lee's speech was focused on the legacy of slavery, he closed it out with an impassioned plea to turn out the vote next November." Said Lee, "The 2020 presidential election is around the corner. Let's all mobilize. Let's all be on the right side of history. Make the moral choice between love versus hate. ... Let's do the right thing! You know I had to get that in there." [The Hill](#) (2/25, Samuels, 3.27M) indicates, meanwhile, that Lee "did not explicitly mention Trump in his acceptance speech."

**Hume: Lee Wasn't "Racist."** Brit Hume said on [Fox News' Special Report](#) (2/25, 2.27M), "I don't think [Lee] was racist. I don't even think he was particularly anti-Trump. He didn't mention the President. ... I think the way the word 'racist' is flung around these days is a terrible thing. It was a great triumph for the civil rights movement, the national consensus overwhelming national consensus, against racism. The word has been weaponized in politics. It's used often by the left against conservatives and Republicans. Now we have the President using it against Spike Lee, who is obviously a Democrat and a leftist. I think the President is out of line on this."

#### **Robinson Hails "Not-So-White" Oscars As Counterweight To Trump Agenda.**

Eugene Robinson writes in the [Washington Post](#) (2/25, 14.71M) that "Hollywood finally managed to produce an awards show that might legitimately be called Oscars Not-So-White." To Robinson, "We have a president who wants to Make America White Again," and "this year's Oscars held a mirror to a proudly diverse nation – and showed why Trump's reactionary crusade is doomed to fail."

#### **Trump Mocks Reid And Schumer On Twitter. (NYPOST)**

President Trump [tweeted](#) yesterday, "Former Senator Harry Reid (he got thrown out) is working hard to put a good spin on his failed career. He led through lies and deception, only to be replaced by another beauty, Cryin' Chuck Schumer. Some things just never change!" The [New York Post](#) (2/25, Moore, 4.88M) points out the "post comes just after an interview with Reid, who is recovering from pancreatic cancer, aired Monday morning on CNN." Said Reid, "There's no question in my mind that George Bush would be Babe Ruth in this league that he's in with Donald Trump in the league. ... Donald Trump wouldn't make the team."

#### **Trump Calls Illinois' Pritzker "My Friend." (CHIT, CHIST)**

The [Chicago Tribune](#) (2/25, Petrella, 2.12M) reports that during remarks to state governors at the White House on Monday, President Trump referred to Gov. J.B. Pritzker (D-IL), "who has frequently criticized" the President, as "my friend." Trump added, "Congratulations. It's a great – you're going to have – you have such an easy state. That's so easy. Great state of Illinois. What an easy state. I don't know. Huh? Have you found it to be easier or tougher than you thought?" Lynn Sweet of the [Chicago Sun-Times](#) (2/25, 867K) says "Trump is wooing" Pritzker, "who made his opposition to Trump a centerpiece of his campaign, calling for his impeachment back in May 2017. Of the 36 governors meeting with" Trump on Monday, "the only one Trump singled out was Pritzker."

#### **Campaign Aide Sues Trump For Allegedly Kissing Her "On The Side Of Her Mouth." (WP, AP, BLOOM, WASHEX, BREITBART, AXIOS, REU, NBC, NYT)**

The [Washington Post](#) (2/25, Crites, 14.71M) reports that Alva Jonson, identified as "a staffer on Donald Trump's 2016 presidential campaign," claims the President "kissed her without her consent at a small gathering of supporters before a Florida rally, an interaction that she alleges in a new lawsuit still causes her anguish." According to the Post, "In interviews and in the lawsuit, Alva Johnson said Trump grabbed her hand and leaned in to kiss her on the lips as he exited an RV outside the rally in Tampa on Aug. 24, 2016. Johnson said she turned her head and the unwanted kiss landed on the side of her mouth." The [AP](#) (2/25, Anderson) notes "White House Press Secretary Sarah Sanders called Johnson's allegations fabricated and said other people who were there say it did not take place." Said Sanders, "This accusation is absurd on its face. This never happened and is directly contradicted by multiple highly credible eye witness accounts."

[Bloomberg](#) (2/25, Larson, 5.38M) reports "Johnson's complaint quotes remarks captured on the 2005 'Access Hollywood' tape in which Trump brags that he can sexually assault women and

get away with it because he's 'a star.'" Says the complaint, "This is exactly what defendant Trump did to Ms. Johnson," who he viewed as "nothing more than a sexual object he felt entitled to dominate and humiliate." The [Washington Examiner](#) (2/25, Yilek, 345K) notes Johnson also "alleges she was discriminated against for her race. Johnson, who is black, claims she was paid less than her white male counterparts." [Breitbart](#) (2/25, Caplan, 1.25M) says "Trump campaign officials have also denied the claim."

[Axios](#) (2/25, Fernandez, 745K) points out "this is the first allegation of sexual misconduct against Trump since becoming president."

**Both Witnesses Cited By Accuser Deny Her Charges.** The [Washington Post](#) (2/25, Crites, 14.71M) reports that "two Trump supporters that Johnson identified as witnesses – a campaign official and Pam Bondi, then the Florida attorney general – denied seeing the alleged kiss in interviews with The Washington Post." Said Bondi yesterday, "Do I recall seeing anything inappropriate? One hundred percent no. ... I'm a prosecutor, and if I saw something inappropriate, I would have said something." Trump's Florida campaign director Karen Giorno, meanwhile, "dismissed the allegation as 'ridiculous,' saying 'that absolutely did not happen.'" [Reuters](#) (2/25, Stein) says that "on a phone interview on Monday, Johnson's lawyer, Hassan Zavareei, rejected the White House denial and said the witness accounts were not credible."

[NBC Nightly News](#) (2/25, story 5, 2:05, Welker, 9.56M) also reported that "Johnson's lawyer says she told family members about the incident at the time" and that "two members of the Trump campaign witnessed it," but "both of those people...say it never happened." Bondi tells NBC News, "I was with the President in the RV and these allegations are false."

The [Washington Examiner](#) (2/25, Yilek, 345K) reports, meanwhile, that "Stephanie Grisham, first lady Melania Trump's spokeswoman and the president's press director in 2016, said she also did not see the alleged incident." Grisham said "she was in front of Trump as he left the RV."

**Accuser Praised Trump As "Incredible In Person," "The Nicest Guy" In 2017 Interview.** The [Washington Post](#) (2/25, Crites, 14.71M) reports that "two Trump supporters that Johnson identified as witnesses – a campaign official and Pam Bondi, then the Florida attorney general – denied seeing the alleged kiss in interviews with The Washington Post." The Post also reports that "as recently as May 2017, Johnson spoke glowingly of Trump in a radio interview," saying, "He is more incredible in person than I think you would even think as you see him on TV. ... He's just the nicest guy. ... He treats everyone as if they are a part of his family."

[NBC Nightly News](#) (2/25, story 5, 2:05, Welker, 9.56M) reported that "Johnson's attorney said she said that because Johnson was worried about the nondisclosure agreement she had signed. So, why wait so long to come forward? Her attorney says they've been working on the case for eight months and felt now was the right time."

The [New York Times](#) (2/25, Chokshi, 17.89M) reports that "after Mr. Trump was elected, Ms. Johnson again tried to put the episode behind her, but was prompted to act by what she saw as racist and sexist actions carried out by the Trump administration, her lawyer said." Said Zavareei, "She did work for his campaign from the very beginning and did a lot of work to help him get elected and ultimately she just kind of felt very guilty and responsible for that. ... She wanted to open up and be honest and tell her story and try and do what she could to redeem herself."

#### **USA Today Analysis: Trump Often Uses "Central Casting" To Describe Those Around Him. (USAT)**

[USA Today](#) (2/25, Collins, Fritze, 12.61M) reports, "Donald Trump is president of the United States, but the former reality TV star still frequently speaks of the people in his political orbit through the lens of show business." USA Today says the President has frequently "used the phrase 'central casting' to describe people around him," and on Monday used the term to describe aides to Chinese President Xi Jinping.

#### **Rosenstein: DOJ Should Not Release Information On Uncharged Suspects. (WP, CBS, NBC, POLITICO, CALLER, WT, CNN, REU, NYT, AP, ABC, USAT)**

In what the [Washington Post](#) (2/25, Zapotosky, 14.71M) describes as "an ominous sign" for those hoping the Justice Department "will soon disclose the closely held details of special counsel Robert S. Mueller III's probe of President Trump and his campaign," Deputy Attorney General Rod Rosenstein said Monday that the Department "should not reveal information about people it does not charge with crimes." Speaking during an event at the Center for Strategic and International Studies, Rosenstein said, "The guidance I always gave my prosecutors and the agents that I worked with during my tenure on the front lines of law enforcement were if we aren't prepared to prove our case beyond a reasonable doubt in court, then we have no business making allegations against American citizens." Paula Reid said on the [CBS Evening News](#) (2/25, story 4, 2:05, Dickerson, 7.37M) that Rosenstein "appeared to lower expectations" about the report. Rosenstein "said he was not referencing a specific case but noted the issue of transparency is one that will soon be discussed nationally." On [NBC Nightly News](#) (2/25, story 6, 1:15, Guthrie, 9.56M), Kasie Hunt also described Rosenstein as "lowering expectations that the full report will be made public."

[Politico](#) (2/25, Gerstein, 3.67M) reports Rosenstein said Americans can be confident Attorney General Barr "will do the right thing" with regard to publicly releasing Mueller's report. Rosenstein said, "That's going to be a decision the attorney general makes as to what to do with whatever information is provided to him. ... I think Attorney General Barr is going to make the right decision. You can trust him to do this....I think we can count on him to do the right thing." The [Daily Caller](#) (2/25, Ross, 645K) says Rosenstein "did clarify a report would be sent to Congress if Barr blocks any major recommendations made by Mueller." Said Rosenstein, "If the special



counsel proposes to take an action and is overruled by the attorney general...we're required to report that to the Congress. That's the structural independence provided in the statute."

The [Washington Times](#) (2/25, Mordock, 544K) reports Rosenstein also said Americans will ultimately be proud of the Justice Department's conduct in the Trump era, and the President should be credited for it. Rosenstein said, "I'm very confident that when we look back on this era of the Department of Justice in the long run, we'll be proud of the way the department conducted itself, and the president will deserve credit for the folks he appointed." The Times adds that it was unclear if Rosenstein "was talking about how the department is handling special counsel Robert Mueller's Russia probe or other department business."

Sen. Robert Menendez (D-NJ) said on [CNN's Situation Room](#) (2/25, 926K), "Thousands of documents were released that violate the very essence of what Mr. Rosenstein said is the standard that may be used. I think the American people expect and want to see the Mueller report. If there's any intelligence questions there that may undermine our means or methods, those can be redacted. But other than that, it seems to me that everything should ultimately be made public and I am convinced that there will be effort, if it's not, that there will be efforts in congress to make it public." Asked if lawmakers should subpoena the report, Menendez said, "If it doesn't come voluntarily, I have no hesitation to support a vote in subpoenaing for the report."

Rep. Jamie Raskin (D-MD) said on [CNN's Situation Room](#) (2/25, 1.05M), "It is hard hearing them repeat the Department of Justice position that the President can't be indicted directly by the Department of Justice while he is still in office. Of course, that doesn't mean necessarily that the material about the President should be taken out of the report. If there were crimes committed, if there's evidence of crimes being committed, that should be turned over to us because it's a mere technicality if you will that the President is not being indicted at that point and we think that we are owed that information and the peoples' representatives have a right to it."

Former FBI Deputy Director Andrew McCabe said on [CNN's Cuomo Prime Time](#) (2/25, 1.29M), "My personal preference, my personal belief is that Director Mueller's work should be shared in the most robust form with Congress and that after that takes place I deeply hope that the Mueller teams' results are shared with the public in the most expansive way possible. We all recognize that there is going to be information in there that cannot be shared. Classified information, sensitive information, things like that, but I think the American public has a right to know what the special counsel team has uncovered for good or for bad."

CNN national security and legal analyst Susan Hennessey said on [CNN's Situation Room](#) (2/25, 1.05M), "This is a case in which if DOJ wants to have the policy that the President can't be indicted, they have to be willing to give information to congress so that Congress can use its constitutional prerogatives to potentially hold the President accountable."

**Yoo Predicts Mueller Report Will "Clear" Trump.** The [Daily Caller](#) (2/25, Morefield, 645K) reports former Deputy Assistant Attorney General John Yoo "predicted Monday that the upcoming Mueller report will likely 'clear' President Donald Trump of any violations of federal law." During a discussion on [Fox News' America's Newsroom](#) about whether the report should be made public, Yoo said, "I expect that there isn't any evidence yet of any conspiracy between Trump and the Russians to commit a violation of federal law. ... And since the report more likely than not will clear president Trump, I think the president and the attorney general have a great interest in releasing it as broadly as possible."

**Reuters Analysis: Mueller Finding Of Collusion Could Prompt Impeachment Process.** In an analysis, [Reuters](#) (2/25, Layne) considers what will occur if Mueller finds that "Trump himself played a role in a conspiracy with Moscow to boost his chances of winning the election or committed obstruction of justice to try to impede the Russia probe." A finding by Mueller of "a willingness by Trump to collude with Russia or contains evidence of direct coordination involving" the President, "could be the starting gun" for impeachment proceedings. Reuters adds that "Mueller's evidence made public to date falls short of demonstrating Trump and his campaign colluded with Russia," which, if the report goes no further, "could set back any Democratic effort to impeach Trump. But House Democrats could proceed with their own investigations that could cause Trump ongoing political damage heading into his 2020 re-election bid."

**Goldstein Playing Key Role As Mueller Makes Final Determination.** The [New York Times](#) (2/25, Weiland, Schmidt, 17.89M) reports that while Mueller "is often portrayed as the omnipotent fact-gatherer," lead prosecutor Andrew Goldstein "has a much more involved, day-to-day role in one of the central lines of investigation." Goldstein, who "has led the office's investigation into whether the president's dismissal of the F.B.I. director, James B. Comey – and Mr. Trump's repeated assaults on the Justice Department – should be considered obstruction of justice," has "conducted every major interview of the president's advisers," and he "was one of two prosecutors who relayed to the president's lawyers dozens of questions about Mr. Trump's behavior in office that Mr. Mueller wanted the president to answer under oath." The Times cites "interviews with Mr. Goldstein's colleagues and friends and an examination of his past work," which "reveal someone profoundly at odds with the cowboylike image Mr. Trump has painted of Mr. Mueller's team."

**Trump Jr. Accuses Federal Prosecutors Of Employing "Stalinist" Tactics.** The [AP](#) (2/25) reports that on [Fox News' Fox & Friends](#), Donald Trump Jr. alleged that "federal authorities are using 'Stalinist' tactics as they investigate the president's inaugural committee and family enterprise." According to the AP, Trump said "the 'dream' of federal prosecutors in the Southern District of New York is to 'try to find something to get Trump,' adding: 'It's that old Stalinist tactic, you know?'" The AP notes that Trump also said he is "not worried about the investigations 'because we know there's nothing there.'"



**Cohen To Testify Before Congress This Week.** Jonathan Karl reported on [ABC World News Tonight](#) (2/25, story 5, 0:40, Muir, 10.66M) that Michael Cohen was on Capitol Hill Monday to prepare for his testimony before Congress. Karl said Cohen is "going to be asked about those hush money payments during the campaign, about Trump Tower Moscow and many other things. And, of course, Cohen already faces jail time for lying to Congress, but now, he says, he is ready to tell the truth, as he tweeted last week, 'Looking forward to the American people hearing my story in my voice.' It will be quite the split screen moment." Kasie Hunt reported on [NBC Nightly News](#) (2/25, story 6, 1:15, Guthrie, 9.56M) that Cohen will deliver "a three-day marathon of potentially blockbuster testimony on Capitol Hill."

**Manafort's Lawyers Argue Against Lengthy Prison Term.** [USA Today](#) (2/25, Jansen, 12.61M) reports lawyers for former Trump campaign chairman Paul Manafort argued in a court filing Monday that a long prison term "for his convictions in the investigation of Russian interference in the 2016 election" would "likely amount to a life sentence." Next month, Manafort is set to be sentenced twice: once in Virginia "where he was convicted of tax and bank fraud," and again in Washington, "where he pleaded guilty to conspiracy and lying to investigators." Manafort could receive "what is effectively a life sentence." His lawyers wrote, "A lengthy jail sentence is not called for in this case and would not further the statutory goals of sentencing. ... Mr. Manafort has been punished substantially, including the forfeiture of most of his assets. In light of his age and health concerns, a significant additional period of incarceration will likely amount to a life sentence for a first time offender."

**McCabe: Trump Impacted IG's Probe Of Him.** McCabe defended his credibility on [CNN's Cuomo Prime Time](#) (2/25, 1.28M). McCabe argued that he had "a 21 year career in the FBI, absolutely unblemished career until the point at which the President decided and communicated to several people that he wanted me to go." McCabe added, "I can't explain why the process seems to have been so greatly impacted by politics. ... I think the President had an indelible impact on the IG's process. I know that the process that I went through was one that was unfair, was one that left out multiple pieces of relevant information, the testimony of witnesses who were never even referenced in the report. I can't explain to you exactly why that happened but I have great suspicion that the President's clear desire had an impact on it."

**Federal Courthouse In DC Provides Only Live Window Into Mueller Probe.** The [Washington Post](#) (2/25, Selk, 14.71M) reports the E. Barrett Prettyman Federal Courthouse in Washington "has become the public's only live window into an investigation that could potentially bring down a sitting president." People have been attending "Trump confidant hearings in this building for months – sleuthing for clues, or awaiting grand jury smoke signals, or simply compelled to be proximate to what could be the most potent criminal case since Watergate."

#### **NYTimes Profile Traces Graham's Transition To "Trump Sidekick." (NYT)**

In a profile titled, "How Lindsey Graham Went From Trump Skeptic To Trump Sidekick," Mark Leibovich of the [New York Times](#) (2/25, 17.89M) writes, "It can be jarring to watch" Sen. Lindsey Graham (R-SC) "enact, in real time, the broader shift the Republican Party has undergone under" President Trump. Leibovich says Graham has "a desire to carve out his own parallel universe of work on certain issues that have always been important to him, especially on foreign policy; an instinct to avoid the distraction of weighing in on every Trump offense ('Don't chase every barking dog,' he says); and a personal library of readily surfaceable aggressions from the 2016 campaign, in which Graham called the future president a 'kook,' 'crazy' and 'unfit for office,' among other things."

#### **Interior Has Issued Nearly 1,700 Offshore Drilling Safety Rule Waivers. (POLITICO)**

[Politico](#) (2/25, Lefebvre, 3.67M) reports, "The Interior Department has given offshore oil drillers nearly 1,700 exemptions to Obama-era safety rules put in place after BP's 2010 Gulf of Mexico oil disaster, effectively gutting parts of the regulation before the Trump administration officially rolls them back." The waivers "were awarded in the first 20 months after the Well Control Rule took effect."

Rep. Don Beyer (D-VA) [tweeted](#), "The Department of the Interior, which Trump just nominated an oil lobbyist to lead, has used huge numbers of waivers to exempt oil companies engaged in offshore drilling from safety rules developed in response to the BP/Deepwater Horizon disaster."

#### **Study: Green New Deal Would Cost Between \$51 Trillion And \$93 Trillion. (BLOOM, WASHFRBE, WSJ, WP, REU, USAT)**

[Bloomberg](#) (2/25, Natter, 5.38M) reports that according to a [study](#) issued by the American Action Forum, "which is run by Douglas Holtz-Eakin, who directed the non-partisan CBO from 2003 to 2005," the Green New Deal, the "ambitious plan" from Rep. Alexandria Ocasio-Cortez (D-NY) to "fight climate change" would cost "between \$51 trillion and \$93 trillion over 10-years." According to Bloomberg, that estimate "includes between \$8.3 trillion and \$12.3 trillion to meet the plan's call to eliminate carbon emissions from the power and transportation sectors and between \$42.8 trillion and \$80.6 trillion for its economic agenda including providing jobs and health care for all." The [Washington Free Beacon](#) (2/25, Harrington, 71K) says "many of the figures are conservative estimates." For example, "researchers assumed obtaining a low-carbon electricity grid would require no new construction of transmission assets, when in actuality, such a grid would require new infrastructure."

**WSJ Journal Op-ed: Nuclear Power Key To Fighting Climate Change** Under the

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headline "The Nuclear Option Is The Real Green Deal," John Rie and Alan Emery, members of Est Actio, an international group of multidisciplinary scientists looking for ways to stabilize the climate, write in the [Wall Street Journal](#) (2/25, Subscription Publication, 6.65M) that those concerned with climate change should coalesce around a push for nuclear energy. The authors point out nuclear power is clean – and that a coal plant produces as much waste in one hour as a nuclear one does in an entire year.

**Kerry Urges White House To Disband Its Climate Panel.** Former Secretary of State John Kerry writes in the [Washington Post](#) (2/25, 14.71M) that "the administration's most dangerous collision with facts has been its effort to paralyze US efforts to join nations of the world in confronting climate change." The White House "plans to convene 'experts' to 'determine' whether climate change is a national security threat. ... Were four consecutive administrations wrong? No. The factual basis of climate change's threat originated not with politicians, but with the national security community." Kerry concludes, "Mr. President, listen to our military leaders and disband your climate denial panel."

**Scientists: Evidence Of Man-Made Warming Reaches "Gold Standard" Level Of Certainty.** [Reuters](#) (2/25, Doyle) reports a US-led team of scientists said Monday that "evidence for man-made global warming has reached a 'gold standard' level of certainty, adding pressure for cuts in greenhouse gases to limit rising temperatures." They wrote in the journal *Nature Climate Change*, "Humanity cannot afford to ignore such clear signals." The team "said confidence that human activities were raising the heat at the Earth's surface had reached a 'five-sigma' level, a statistical gauge meaning there is only a one-in-a-million chance that the signal would appear if there was no warming."

**Study: CO2 Could Cause Disappearance Of Clouds.** [USA Today](#) (2/25, Rice, 12.61M) reports a new study suggests that "many of the world's clouds could disappear if the carbon dioxide we keep pumping into our atmosphere soars to extreme levels." The disappearance of the clouds "would then trigger a spike in global temperatures, potentially as much as 14 degrees, melting polar ice and leaving coastal cities underwater." This would require concentrations of carbon dioxide (CO2) in our atmosphere "to triple, from around 400 parts per million now to 1,200 ppm sometime next century." According to the study, while it is unlikely, that level of carbon dioxide could "be reached within a century under high-emission scenarios."

#### **AOC: Whether "It's Okay To Still Have Children" Now A "Legitimate Question." (NYPOST, TWNHALL, BREITBART)**

The [New York Post](#) (2/25, Fredericks, 4.88M) reports "Rep. Alexandria Ocasio-Cortez says that climate change poses such a dire threat to humanity that it's legitimate for anxious young people to question whether they should have kids." AOC said in a video post to Instagram and [Twitter](#), "Our planet is going to hit disaster if we don't turn this ship around and so it's basically like, there's a scientific consensus that the lives of children are going to be very difficult. ... And it does lead, I think, young people to have a legitimate question, you know, 'Is it okay to still have children?'" [Townhall](#) (2/25, Brown, 175K) points out "Ocasio-Cortez's musings on the morality of having children come at a time when the US birth-rate is at a 30-year-low and below population replacement level."

In its report on AOC's comments, [Breitbart](#) (2/25, Nolte, 1.25M) mocks progressives' predictions, saying, "They told us...another Ice Age is coming. Overpopulation would mean worldwide starvation. Nuclear war is imminent. The oceans will be dead by 1995. The ozone layer will disappear. Super hurricanes would wipe out our East Coast. New York would be underwater by now. We would run out of oil by 1999. The end of snow! Seal levels would rise 20 feet by now. The ocean conveyor would shut down. Polar bears would be extinct. The Arctic Ocean would be ice free by now. ... And it was all lies."

#### **Activists Press Democratic Presidential Candidates To Commit To Expanding Supreme Court. (POLITICO, AP, WP, USAT, WT, NYPOST, CALLER)**

[Politico](#) (2/25, Thompson, 3.67M) reports, "Progressive activists are pushing 2020 Democratic presidential candidates to commit to expanding the number of Supreme Court justices in order to dilute to current conservative majority." A new group called Pack The Courts says it has raised over \$500,000 and has "partnered with Demand Justice, a progressive group founded in 2018 that is trying to match the Republican organizing efforts around the Judiciary."

**Supreme Court: Federal Court Cannot Count Vote Of Deceased Judge In Its Ruling.** The [AP](#) (2/25, Gresko) reports the Supreme Court ruled yesterday "in an unsigned opinion that a federal court can't count the vote of a judge who died in a decision issued after the judge's death." The justices said "federal judges are appointed for life, not for eternity." The [Washington Post](#) (2/25, Barnes, 14.71M) points out that "because the opinion is unsigned, lost perhaps for eternity will be the identity of the justice who penned that line," but "it was not Justice Sonia Sotomayor, who noted that she 'concurs in the judgment.'"

[USA Today](#) (2/25, Wolf, 12.61M) recounts that "a California county had asked the Supreme Court to reconsider the US Court of Appeals for the 9th Circuit ruling in part because it was written by Judge Stephen Reinhardt, who died March 29, 2018 at age 87. The ruling was filed 11 days later, on April 9." Reinhardt "was a well-known liberal judge who served on the equally liberal appeals court for more than 37 years." The [Washington Times](#) (2/25, Swoyer, 544K) reports "the case involved the Equal Pay Act." Reinhardt "had been part of the court's 11-member en banc panel, and his opinion was critical. Without him, the ruling would have been 5-5." The [New York Post](#) (2/25, Moore, 4.88M) and [Daily Caller](#) (2/25, Daley, 645K), among other news outlets, also

reports the story.

**High Court Denies Tobacco Companies' Petition To End Smokers' Lawsuits. (USA Today)** (2/25, Wolf, 12.61M) reports "the Supreme Court refused Monday to block Florida smokers' lawsuits against two major tobacco companies." The justices "denied petitions from Altria Group and British American Tobacco seeking a way out of eight challenges filed by smokers and relatives of deceased smokers that could cost them billions of dollars."

**Kagan Could Play Pivotal Role As Court Hears Case Concerning Cross On Public Land.** The [Washington Post](#) (2/25, Barnes, 14.71M) reports Supreme Court Justice Elena Kagan has become one of the Court's "most powerful voices on the separation of church and state, often rebuking conservative colleagues for allowing government actions that she says favor one religion over another." On Wednesday, the Court will hear arguments concerning a "cross dedicated to Americans killed during World War I, a massive structure on public land in Maryland." The "battle over the Bladensburg Peace Cross could provide sharper definition to the court's murky jurisprudence over when religious symbols on public land violate constitutional prohibitions on government establishment of religion. It is one of the term's marquee cases, and Kagan could play a pivotal role."

### **Bossie Seeks Maryland GOP Endorsements For Trump To Head Off Possible Hogan Challenge. (WP)**

The [Washington Post](#) (2/25, Johnson, Costa, Hernández, 14.71M) reports that "as President Trump's allies continue to try to discourage" Gov. Larry Hogan (R-MD) from challenging Trump for the 2020 GOP presidential nomination, Trump's "former deputy campaign manager David M. Bossie has started to organize a political salvo: A collection of endorsements for the president's reelection campaign from prominent Maryland Republicans." On Monday, Hogan criticized the effort, saying, "These kind of heavy-handed tactics are not what we need in our politics."

### **Many North Carolina Republicans Urge Harris Against Another NC9 Bid. (WT)**

The [Washington Times](#) (2/25, Miller, 544K) reports many North Carolina Republicans are encouraging Mark Harris not to run in the NC9 election that will be held "after ballot fraud linked to Mr. Harris' midterm campaign forced North Carolina officials to call a new election." Several other Republicans are said to be eyeing the race. Dan McCready, the Democratic nominee who narrowly trailed Harris in the "tainted" election, is expected to be the Democratic candidate again. The primary "likely will not be sooner than May and the general election not before October."

### **Former Clinton Aides Blast Sanders For Flying On Private Jets. (POLITICO, CNN, WSJ)**

Citing sources from Hillary Clinton's campaign, [Politico](#) (2/25, Lippman, 3.67M) reports that "in the final months of the 2016 campaign," Sen. Bernie Sanders (I-VT) "repeatedly requested and received the use of a carbon-spewing private jet for himself and his traveling staff when he served as a surrogate campaigner" for Clinton. According to Politico, "Many in the party...are eager to point out Sanders' flaws and examples of what they perceive to be examples of hypocrisy."

**Sanders Vows To Back Democratic Nominee.** During a town hall hosted by [CNN](#) (2/25, 82.97M), Sanders said, "I hope and believe that every Democratic candidate will come together after the nominee is selected and make certain that Donald Trump is not reelected President of the United States. And I pledge certainly to do that. I hope I'm the nominee, but if I'm not, I will work with that nominee. Trump has got to be defeated."

**Rall: Sanders Must Move Farther Left To Compete.** Progressive political cartoonist Ted Rall argues in a [Wall Street Journal](#) (2/25, Subscription Publication, 6.65M) op-ed that with many Democratic presidential candidates having seized the agenda Sanders championed in 2016, Sanders will need to move even farther to the left to compete, perhaps by proposing a national health service or student loan forgiveness.

### **Reuters Analysis: Sanders' Base Makes New Hampshire Difficult For Warren. (REU)**

[Reuters](#) (2/25, Oliphant) reports that Sen. Bernie Sanders (I-VT) "has complicated" the presidential campaign of "fellow liberal" Sen. Elizabeth Warren (D-MA), whose "path" Reuters says "runs straight through New Hampshire." Sanders "retains a strong following" in the state, where he "trounced Hillary Clinton by more than 20 percentage points" in the 2016 Democratic presidential primary. An Emerson College poll of New Hampshire voters released this weekend "showed Sanders to be the top choice of respondents with 27 percent of the vote," while Warren "was far behind at 9 percent."

### **Democrats Differ On Where To Focus Electoral Map Strategy In 2020. (NYT, AP)**

The [New York Times](#) (2/25, Martin, Burns, 17.89M) reports Democrats are debating whether the party's best path to 270 electoral votes lies in winning back traditionally Democratic states like Michigan, Pennsylvania, and Wisconsin that President Trump won by narrow margins in 2020, or to focus on "more demographically promising Sun Belt states like Georgia and Arizona," once-Republican states now shifting racially. While candidates and potential candidates like ex-Vice President Joe Biden and Sens. Sherrod Brown (D-OH) and Amy Klobuchar (D-MN) would be expected to focus on those Midwestern states, "there is a growing school of thought that Democrats should not spend so much time, money and psychic energy tailoring their message to a heavily white, rural and blue-collar part of the country when their coalition is increasingly made up of racial minorities and suburbanites."

The [AP](#) (2/25, Peoples, Miller) reports that while "there are early signs that Democrats are

regaining their strength” in those three states won by Trump, some of the Democrats “who know the region best are warning against overconfidence and suggesting the leftward lurch from some candidates could alienate the region’s working-class voters.” Gov. Gretchen Whitmer (D-MI) “encouraged Democrats to rally behind a ‘pragmatic’ candidate focused on achievable policies, a subtle dig at the aggressive liberal agenda that has been embraced by some candidates.”

### **NYTimes Examines Fate Of California’s High-Speed Rail. (NYT)**

The [New York Times](#) (2/25, Fuller, Medina, Dougherty, 17.89M) analyzes the prospects of California’s high-speed rail line in the wake of comments from Gov. Gavin Newsom (D-CA) about shortening the route and the Trump Administration’s announcement that it will be cutting off funding and seeking to claw back the money it has provided the state. The Times says the dispute between Newsom and President Trump demonstrates that “the nation’s partisan divide extends to infrastructure.” The Times explains that California is the state that “might seem best positioned to carry out big infrastructure projects” due to the government’s high revenues and the Democratic control of the government, but “even before Mr. Newsom’s comments, the project was troubled by repeated delays and cost overruns.”

Lisa Lerer of the [New York Times](#) (2/25, 17.89M) writes, “One in eight Americans lives in California. Two-thirds of residents disapprove of the president. But Mr. Newsom needs Mr. Trump – or at least his federal dollars.”

### **Haley “Wading Back Into National Politics” But Not Discussing 2024. (WP)**

The [Washington Post](#) (2/25, Gearan, 14.71M) reports ex-UN Ambassador Nikki Haley “is wading back into national politics with a new policy group and a forthcoming book – while saying that a presidential run in 2024 has not crossed her mind.” Haley told the Post, “With the hyperpolarization that we have right now and the division that we have right now, I want to make sure that we put out good policy. I think that I can put information out there and not have anybody feel like it’s a threat because I’m not running for anything.” However, the Post writes, “that is not how many politics watchers are likely to see it. Haley – who would be 53 on Election Day in 2024 – is at the top of many GOP shortlists as a potential national candidate.”

### **Chicago Could Elect Its “Third Mayor Daley.” (USAT, NYT)**

[USA Today](#) (2/25, Madhani, 12.61M) reports on the “distinct possibility” that Chicago will “elect a third Mayor Daley” on Tuesday. Bill Daley, Commerce Secretary under President Clinton and White House Chief of Staff to President Obama, “is in good position to finish among the top of the field of 14 candidates.” His father Richard J. Daley “led the city for 21 years, and his older brother, Mayor Richard M. Daley, for 22.” If no candidate wins a majority of the vote, a runoff will take place on April 2.

**Many Black Residents Leaving Chicago.** The [New York Times](#) (2/25, Davey, 17.89M) reports that “as Chicagoans go to the polls on Tuesday to choose a new mayor in one of the most wide-open elections” the city “has experienced in generations, many African-Americans have cast their votes another way. They have moved out.” While “downtown Chicago is booming...residents only a few miles to the south and west still wrestle with entrenched gang violence, miserable job prospects and shuttered schools.”

### **Jon Stewart Calls On Congress To Replenish 9/11 Compensation Fund. (NBC, FOX)**

[NBC Nightly News](#) (2/25, story 7, 1:30, Guthrie, 9.56M) reported on Capitol Hill Monday, “comedian Jon Stewart blast[ed] Congress, demanding lawmakers do more to help the workers on 9/11 who still suffer from serious health issues, as well as their families.” NBC’s Andrea Mitchell: “Jon Stewart has an urgent message for Congress: Take care of the 9/11 first responders exposed to toxic materials at Ground Zero.” Stewart: “This has to stop. They’re not pawns. They’re not people to be played with. Do the right thing and do it in a manner that respects the 18 years that they’ve suffered through this.” Mitchell: “As the years pass, cancer cases and death claims are skyrocketing. Five years after Jon Stewart took up the cause, empty chairs as the losses mounted. ... Now compensation for victims is running out. So the government plans to cut payments by 50 percent to 70 percent.”

Rep. Katherine Clark (D-MA) [tweeted](#), “At the heart of government should be taking care of people. Jon Stewart gets it. And so do these incredible first responders. Now, we need to take care of them.” Rep. Eliot Engel (D-NY) [tweeted](#), “My thanks as always to Jon Stewart, John Feal, and all the remarkable people who come to Washington to fight for the thousands of responders & survivors suffering from 9/11-related illness. We need to permanently #Renew911VCF. You shouldn’t have to make this trip every few years.”

Rep. Josh Gottheimer (D-NJ) [tweeted](#), “Saw Jersey native Jon Stewart on the Hill today! Together, we are fighting to make sure that every 9/11 first responder gets the health care they deserve. We should always get their backs! Congress must fully fund and extend the VCF.” Rep. Bill Pascrell (D-NJ) [tweeted](#), “Jon Stewart has been a champion for 9/11 survivors and their families. It’s great to see him again today as we fight for permanent authorization of the Sept 11 Victim Compensation Fund.” Rep. Tom Suozzi (D-NY) [tweeted](#), “I stand shoulder-to-shoulder with my colleagues in both Houses, VCF advocate Jon Stewart, 9/11 first responder John Feal, and all of the heroic first responders who heeded the call that day, and for the many days, weeks, and months afterward.”

**Gillibrand Says Fund Should Be Made Permanent.** Sen. Kirsten Gillibrand (D-NY) said on [Fox News Special Report](#) (2/25, 2.27M), “Next week, people who are supposed to be getting



compensation are actually going to have their compensation cut. ... We have to stand by them in their greatest time of need, and that's why they need to make the Victims Compensation Fund permanent."

#### **New Marines Learning About 9/11, Which Happened Before They Were Born. (WSJ)**

The [Wall Street Journal](#) (2/25, Phillips, Subscription Publication, 6.65M) reports that with the youngest Marine recruits now having been born after September 11, 2001, the USMC is educating them about the events of 9/11 and its aftermath. The Journal profiles a mandatory history class for new Marines at Parris Island and the San Diego boot camp on an event that, for them, is history, not living memory.

#### **Whitehouse Failed To Disclose Donor Relationship In Amicus Filing. (WASHFRBE)**

The [Washington Free Beacon](#) (2/25, Shepherd, 71K) reports Sen. Sheldon Whitehouse (D-RI) "filed an amicus brief in court cases where cities and counties in California are suing major energy production companies for damages related to climate change, but did not disclose he had taken political donations from the attorneys who are conducting that litigation." The Free Beacon cites a Monday Wall Street Journal editorial criticizing Whitehouse over the action.

#### **Cohen: Democrats' Shift Left Could "Gift Reelection To Trump." (WP)**

In a [Washington Post](#) (2/25, 14.71M) column headlined "The Democratic Party Is Trying To Gift Reelection To Trump," Richard Cohen writes, "I don't quite know what a handbasket is, but the Democratic Party is in one headed toward electoral hell with its talk of socialism and reparations. Given a Republican incumbent who has never exceeded 50 percent in Gallup's approval ratings poll, and who won the presidency thanks to a dysfunctional electoral college, the party is nevertheless determined to give Donald Trump a fair shot at reelection by sabotaging itself."

#### **WSJournal: Hawley Opposing Rao To Appeal To Anti-Abortion Right. (WSJ)**

In an editorial, the [Wall Street Journal](#) (2/25, Subscription Publication, 6.65M) questions Sen. Josh Hawley's (R-MO) motives for opposing Neomi Rao's nomination to the DC Circuit Court of Appeals. The Journal argues that Hawley could be using the nomination to curry favor with the anti-abortion right.

#### **Report: Charitable Giving Up In First Year Under New Tax Law. (HILL)**

[The Hill](#) (2/25, Jagoda, 3.27M) reports, "Charitable giving was up 1.6 percent in 2018, but only because of an increase in money from large donations in the first year under President Trump's tax law, according to a report released Monday by the Fundraising Effectiveness Project." Revenue from gifts of \$1,000 or more "increased by 2.6 percent, but revenue from gifts under \$250 dropped by 4.4 percent and revenue from gifts of \$250 to \$999 dropped by 4 percent, according to the report." The Fundraising Effectiveness Project "also found that the total number of donors declined by 4.5 percent in 2018." The Hill says, however, that "charities are still concerned," expecting "it will take several years to fully see how the tax law has influenced charitable donations."

#### **Bipartisan Group Of Senators Urge Trump Administration To Ban Huawei Technology. (HILL, CQRC, REU, POLITICO, WSJ, FT, WP, AP)**

[The Hill](#) (2/25, Thomsen, 3.27M) reports that a group of 11 senators sent a letter on Monday to Energy Secretary Rick Perry and Homeland Security Secretary Kirstjen Nielsen urging them to consider banning the use of Huawei technologies to protect the US grid and infrastructure. The senators wrote, "Congress recently acted to block Huawei from our telecommunications equipment market due to concerns with the company's links to China's intelligence services." They added, "We urge similar action to protect critical U.S. electrical systems and infrastructure." This group includes Senators Mitt Romney (R-UT), Richard Burr (R-NC), Senator Mark Warner (D-VA), John Cornyn (R-TX), Dianne Feinstein (D-CA), Marco Rubio (R-FL), Tom Cotton (R-AK), Ben Sasse (R-NB), Jim Risch (R-ID), Angus King (I-ME), and Susan Collins (R-ME).

[CQ Roll Call](#) (2/25, Lesniewski, 159K) reports the senators said in the letter, "Huawei has recently become the world's largest maker of inverters – the sophisticated control systems that have allowed the rapid expansion of residential and utility scale energy production." They added, "Both large-scale photovoltaic systems and those used by homeowners, school districts, and businesses are equally vulnerable to cyberattacks."

[Reuters](#) (2/25) and [Politico](#) (2/25, Farrell, 3.67M) also reported on the senator's letter.

**Huawei Challenges 5G Bans With Marketing Campaign.** The [Wall Street Journal](#) (2/25, Taylor, Germano, Strumpf, Subscription Publication, 6.65M) reports that as U.S. allies move to block Huawei Technologies Co. from rollouts of 5G networks on national-security concerns, Huawei unveiled a controversial ad campaign. However, it is uncertain how effective the campaign will be in influencing officials because they tout Huawei's technological excellence rather than allaying security concerns about its equipment.

**Monitoring, Not Ban, Of Huawei Urged.** In an editorial, the [Financial Times](#) (2/25, Subscription Publication, 1.34M) urges countries to make their own assessments about Huawei's equipment, and advises caution and vigilance, rather than an outright ban.

**Marks: Huawei Policy Pits Trump Against Administration.** In the "Cybersecurity 202" blog for the [Washington Post](#) (2/25, 14.71M), Joseph Marks writes, "The world's biggest mobile technology conference kicks off in Barcelona this morning with the Trump administration's va-



with itself over how to counter the threat Huawei poses to next generation wireless networks.” According to Marks, “On one side are White House officials who spent months prepping an executive order that would effectively ban the Chinese telecom giant from any contracts to build 5G networks in U.S. cities out of fear it could spy for the Chinese government – and they’d hoped to have that order in hand before the Mobile World Congress started,” and “on the other side is President Trump who seemed to scuttle those plans with a Friday morning tweet declaring the U.S. should win the 5G race ‘through competition, not by blocking out currently more advanced technologies.’” Marks adds, “The mixed messages risk dramatically weakening the U.S.’s hand as officials try to convince allies that the benefits of Huawei’s cheaper technology don’t outweigh its risks – including that the Chinese government could leverage Huawei’s position to scoop up ‘trillions’ of dollars of intellectual property and trade secrets from those nations’ companies.”

The [AP](#) (2/25, Chan) reports that Huawei “is taking center stage at the world’s biggest mobile industry trade fair, as it wages a geopolitical battle with the U.S. over its role in next-generation telecom networks.” The company “has a major presence at MWC Barcelona, a four-day showcase of mobile devices and innovations that opens Monday,” and “a this year’s meeting, the focus will be on new 5G networks due to be rolled out in the coming years.” Huawei “is hoping to play a big part in building those networks.”

**Huawei Prepares To Defend Itself Against Czech Security Warning.** [Reuters](#) (2/25) reports that Huawei “is prepared to defend itself in court in the Czech Republic if it is unable to resolve a security warning from the country’s cyber watchdog in an open way, its country manager was quoted as saying on Monday.” According to Reuters, “The Czech cyber watchdog (NUKIB) warned about potential dangers in using technology from Huawei and Chinese firm ZTE in December, leading state and private institutions to undertake risk analyses.” Huawei “faces growing scrutiny around the globe over its ties with the Chinese government and allegations that Beijing could use its technology for spying. It denies those allegations.”

### **New York College Grad Charged With Using Device To Destroy Campus Computers. (ALBANYTU)**

The [Albany \(NY\) Times Union](#) (2/25, Gavin, 401K) reports, “In 2016, College of Saint Rose graduate assistant Vishwanath Akuthota said he believed there was a ‘lot of opportunity’ for him at the school,” and “on Monday, federal prosecutors said he took advantage of a different kind of opportunity – access to campus – when he destroyed dozens of computers at a cost of more than \$50,000.” Akuthota, “a 26-year-old Albany resident, was arrested in Raleigh, N.C., and charged with the clandestine destruction of more than 50 computers at the school through the use of a ‘USB Killer Device,’ a disabling mechanism that resembles a data stick.” According to the Times Union, “The official charge is intentional damage of a protected computer,” and “an FBI agent’s affidavit in a federal complaint states that on Feb. 14, an assistant director of security at the college told Albany police that a man had entered several locations on campus and inserted a device that destroyed each computer’s motherboard, rendering them inoperable.”

### **DOD Seeks To Fill Gaps In Cyber Skills. (STARS)**

[Stars And Stripes](#) (2/25, 36K) reports from Austin, Texas, “Examples of an expanding cyber force within the Defense Department are all around.” The Marine Corps “established a new specialty field in October to better defend its computer-based systems and the Air Force added 244 new cyber officers in 2018, a nearly 10 percent increase from the previous year.” Stars and Stripes adds, “Increasingly, the military services are focusing on cybersecurity, in part based on information from the Department of Homeland Security citing the potential of a cyberattack exceeding the threat of a physical one,” and “more so, an internal Pentagon report recently obtained by Bloomberg News detailed the need for a larger, more competent workforce – among other suggestions – as concerns of cyberattacks percolate throughout the U.S. military.” According to Stars and Stripes, “The internal report from the Pentagon’s combat testing office warned while the military has made progress in defending against in-house attacks designed to test cyber systems, the improvements were not outpacing the growing capabilities of potential adversaries.”

### **Researchers Warn Chips May Be Inherently Vulnerable To Cyber Attacks. (TECHREV)**

[MIT Technology Review](#) (2/25, arXiv, 546K) reports, “Malicious software represents an ongoing threat to modern life, attacking everything from databases and cameras to e-commerce, power stations, and hospitals. In its more insidious forms, malware can steal sensitive information without anyone knowing a leak has taken place,” and “the fight against these attacks rests on an important assumption: that suitably powerful and well-designed software can guarantee the security of any information,” but Ross McIlroy “and colleagues at Google say this assumption is dangerously wrong,” and “their work focuses on a new generation of malicious attacks that have forced them to reconsider the nature of cybersecurity and how it works.” The new attacks, “known as Spectre and Meltdown, have been studied since early 2018. But their broader significance is only now becoming clear,” and “Google’s shocking discovery is that they exploit a foundational flaw in the way information processors work,” and “because of this, security experts may never be able to protect these devices – even in principle.”

### **RCP Average Has Trump’s Job Approval At 44.1%.**

The [Real Clear Politics](#) average of recent polling on President Trump’s job approval stands at 44.1%, and his disapproval at 52.6%. The President’s approval and disapproval are unchanged from yesterday.

A [Rasmussen](#) poll of 1,500 "likely voters" (2/20-2/24) finds Trump's approval at 49%, with 49% disapproving.

## THE BIG PICTURE

### Headlines From Today's Front Pages.

#### **Wall Street Journal:**

[GE To Sell Its Biotech Business To Danaher For \\$21 Billion](#)  
[SEC Asks Manhattan Federal Court To Hold Elon Musk In Contempt](#)  
[How North Korea's Economy Defies Sanctions](#)  
[Marine Recruits Learn An Important Lesson: What Happened On 9/11](#)  
[Iran's Foreign Minister Resigns, In An Instagram Post](#)

#### **New York Times:**

[2019 Is A Sensitive Year For China. Xi Is Nervous.](#)  
[Rust Belt, Sun Belt Or Both? Democrats Seek The Best Route To The White House](#)  
[This Stock Market Rally Has Everything, Except Investors](#)  
[In 'Green Book' Victory, Oscar Critics See An Old Hollywood Tale](#)  
[It's Mueller's Investigation. But Right Behind Him Is Andrew Goldstein.](#)  
[Chicago, Seeking A New Mayor, Sees Many Black Residents Voting With Their Feet](#)

#### **Washington Post:**

['Love' In Air Before Summit](#)  
[U.S. Farmers Fuel Surge Of Guest Workers](#)  
[Justice Kagan May Play Key Role In Md. Peace Cross Case](#)  
[U.S. Offers A Muted Response On Maduro](#)  
[Vote Due On Order For Wall Funding](#)

#### **Financial Times:**

[Pence Urges Latin America To Put More Pressure On Maduro](#)  
[GE Agrees Sale Of Life Sciences Unit In \\$21BN Deal](#)  
[Trump Risks Political Backlash On China Trade Deal](#)  
[Warren Buffett Admits Overpaying For Kraft](#)

#### **Washington Times:**

['Great, Great Potential': Trump Sees Summit Host Vietnam As Model For North Korea](#)  
[Senate Democrats Block Republicans' Anti-Infanticide Bill](#)  
[Republicans Pressure Mark Harris To Quit North Carolina 'Do-Over' Race After Ballot Scandal](#)  
[Canada Takes Uncharacteristically Lead In Clashes With China, Saudi Arabia, Venezuela](#)  
[FCC To Review TV Ratings System That Critics Say Mislabeled Violent, Sexually Explicit Content](#)  
[Elizabeth Warren Walls Off Wealthy Donors: No Private Events, No Phone Calls](#)

#### **Story Lineup From Last Night's Network News:**

**ABC:** Severe Weather; Weather Report; Patriots Owner Formally Charged With Soliciting Prostitution; Trump-North Korea Summit; Michael Cohen-Testimony; R. Kelly-Sexual Abuse Allegations; 'Empire' Actor-Alleged Hate Crime; Houston-Amazon Plane Crash; Venezuela-Political Crisis; Yemen-US Citizen Finally Released; Florida-Small Plane Crash; Ohio-Mysterious Death Of Cheerleader; Oregon-Food Truck Explosion; Weight Loss Study; Oscars.

**CBS:** Trump-North Korea Summit; Vietnam-Strategic Location For Summit; Patriots Owner Formally Charged With Soliciting Prostitution; Mueller Investigation; R. Kelly-Sexual Abuse Allegations; Vietnam-Efforts To Find Missing American Remains; Venezuela-Political Crisis; Houston-Amazon Plane Crash; Oscars.

**NBC:** Patriots Owner Formally Charged With Soliciting Prostitution; Atlanta-Human Trafficking; Houston-Amazon Plane Crash; Trump-North Korea Summit; Trump-Lawsuit By Fmr. Campaign Worker; Michael Cohen-Testimony; Jon Stewart-Congress; R. Kelly-Sexual Abuse Allegations; Severe Weather; Oscars; Florida-Small Plane Crash; Oscars-Selma Blair.

#### **Network TV At A Glance:**

Trump-North Korea Summit – 7 minutes, 40 seconds  
Patriots Owner Formally Charged With Soliciting Prostitution – 5 minutes, 35 seconds  
Houston-Amazon Plane Crash – 4 minutes, 50 seconds  
R. Kelly-Sexual Abuse Allegations- 3 minutes, 5 seconds

#### **Story Lineup From This Morning's Radio News Broadcasts:**

**ABC:** Venezuela-Political Crisis; Trump-North Korea Summit; Australia-Cardinal George Pell Convicted.

**CBS:** Australia-Cardinal George Pell Convicted; R. Kelly-Sexual Abuse Allegations; Trump-North Korea Summit; Elon Musk-SEC Fine; Univision-Maduro Interview.

**FOX:** Trump-North Korea Summit; Congress-9/11 Fund; Australia-Cardinal George Pell Convicted.

**NPR:** House-Block National Emergency; Wisconsin-Gov. Withdraws National Guard From Border;

## D.C. SCHEDULE

### Today's Events In Washington.

#### White House:

- President Trump — arrives in Vietnam for second meeting with Kim Jong Un.
- Vice President Pence — participates in the Senate Republican policy lunch.

#### US Senate:

- Senate Armed Services Committee hearing on USSTRATCOM and USNORTHCOM – Hearing on 'United States Strategic Command and United States Northern Command', with testimony from U.S. Strategic Command Commander Gen. John Hyten; and U.S. Northern Command Commander and North American Aerospace Defense Command Commander Gen. Terrence O'Shaughnessy

*Location: Rm 216, Hart Senate Office Building, Washington, DC; 9:30 AM*

- Fed Chair Powell presents Monetary Policy Report to Senate Banking Committee – Senate Committee on Banking, Housing, and Urban Affairs hearing on 'The Semiannual Monetary Policy Report to the Congress', with testimony from Federal Reserve Board Chair Jerome Powell

*Location: Rm 106, Dirksen Senate Office Building, Washington, DC; 10:00 AM*

- Territorial governors testify to Senate Energy and Natural Resources Committee – Hearing 'To Examine the State of U.S. Territories', with testimony from Puerto Rico Governor Ricardo Rossello; Guam Governor Lourdes Leon Guerrero; American Samoa Governor Lolo Matalasi Moliga; U.S. Virgin Islands Governor Albert Bryan; and Commonwealth of the Northern Mariana Islands Governor Ralph DeLeon Guerrero Torres

*Location: Rm 366, Dirksen Senate Office Building, Washington, DC; 10:00 AM*

- Senate Judiciary subcommittee hearing on 2019 Annual IP Report to Congress – Intellectual Property Subcommittee hearing on 'Examining the 2019 Annual Intellectual Property Report to Congress', with testimony from U.S. Intellectual Property Enforcement Coordinator Vishal Amin

*Location: Rm 226, Dirksen Senate Office Building, Washington, DC; 10:00 AM*

- Senate Finance Committee second hearing on drug pricing – Hearing on 'Drug Pricing in America: A Prescription for Change, Part II', with testimony from AbbVie Chairman and CEO Richard Gonzalez; AstraZeneca Executive Director and CEO Pascal Soriot; Bristol-Myers Squibb Chairman of the Board and CEO Giovanni Caforio; Janssen Pharmaceuticals (Johnson & Johnson) Executive Vice President and Worldwide Chairman Jennifer Taubert; Merck & Company Chairman and CEO Kenneth Frazier; Pfizer CEO Dr Albert Bourla; and Sanofi CEO Olivier Brandicourt \* Committee leadership stated that some of the invited companies had initially declined requests to testify as part of the series, but that they were prepared to compel their CEOs to testify if needed

*Location: Rm 215, Dirksen Senate Office Building, Washington, DC; 10:15 AM*

- House / Senate Veterans' Affairs Committees joint hearing with VSOs – Senate Committee on Veterans' Affairs and House Committee on Veterans' Affairs joint hearing on 'Legislative Presentation of the Disabled American Veterans', with testimony from Disabled American Veterans National Commander Dennis Nixon, National Service Director Jim Marszalek, National Legislative Director Joy Ilem, Washington Headquarters Executive Director Randy Reese, National Adjutant J. Marc Burgess, National Headquarters Executive Director Barry Jesinoski, National Director of Voluntary Service John Kleindienst, National Director of Employment Jeffrey Hall, and DAV Auxiliary National Commander Ellen Timmerman

*Location: Rm G50, Dirksen Senate Office Building, Washington, DC; 2:00 PM*

- Senate Transportation subcommittee hearing on intermodal connections across the surface transportation network – Transportation and Safety Subcommittee hearing on 'Connecting America: Examining Intermodal Connections Across Our Surface Transportation Network', with testimony from American Short Line and Regional Railroad Association President Chuck Baker; Port of Long Beach Deputy Executive Director of Administration and Operations Dr Noel Hacegaba (on behalf of Intermodal Association of North America); IMC Companies Executive Vice President Donna Lemm (on behalf of Agriculture Transportation Coalition); and Chicago Metropolitan Agency for Planning Executive Director Joseph Szabo (on behalf of Coalition for America's Gateways and Trade Corridors)

*Location: Rm 562, Dirksen Senate Office Building, Washington, DC; 2:30 PM*

- Field hearing on 'The Opportunity to SOAR: 15 Years of School Choice in D.C.'

*Location: St. Thomas More Catholic School, 265 4th Street SE, Washington, DC; 3:30 PM*

#### US House:

- House Appropriations subcommittee hearing – Interior, Environment, and Related Agencies Subcommittee 'Public Witness Hearing (non-tribal programs)', with testimony from witnesses including David Jonas Bardin; American Alliance of Museums' Dr Ford Bell; National Assembly of State Arts Agencies CEO Pam Breaux; The Alliance of National Heritage Areas Chair Sara Capen; National Trust for Historical Preservation Vice President for Government Relations Tom Cassidy; American Thoracic Society's Dr Kevin Cromar; National Institutes for Water Resources

President Dr Dan Devlin; Association of Zoos and Aquariums President and CEO Dan Ashe; Society of American Foresters CEO Terry Baker; Society for Range Management Washington, D.C. Liaison Lia Biondo; National Wildlife Refuge Association Director of Government Affairs Caroline Brouwer; Minnesota Conservation Federation Executive Director Jason Dinsmore; American Bird Conservancy Vice President of Policy Steve Holmer; and Oceana Campaign Director Diane Hoskins

*Location: Rm 2007, Rayburn House Office Building, Washington, DC; 9:00 AM*

- VA Secretary Wilkie testifies to House Appropriations subcommittee – Military Construction, Veterans Affairs and Related Agencies Subcommittee 'VA General Oversight Hearing', with testimony from Secretary of Veterans Affairs Robert Wilkie

*Location: Rm 2359, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Appropriations subcommittee hearing on Architect of the Capitol budget – Legislative Branch Subcommittee hearing on 'Architect of the Capitol, FY 2020 Budget Request', with testimony from Acting Architect of the Capitol Christine Merdon

*Location: HT-2, U.S. Capitol, Washington, DC; 10:00 AM*

- House Appropriations subcommittee oversight hearing on climate – Commerce, Justice, Science, and Related Agencies Subcommittee oversight hearing on 'Understanding the Changing Climate System and the Role of Climate Research', with testimony from Assistant Secretary of Commerce for Environmental Observation and Prediction Dr Neil Jacobs; and NASA Earth Science Division Director Dr Michael Freilich

*Location: H-309, U.S. Capitol, Washington, DC; 10:00 AM*

- House Appropriations subcommittee hearing on CDFIs – Financial Services and General Government Subcommittee hearing on 'Leveraging Private Capital for Underserved Communities and Individuals: A Look into Community Development Financial Institutions (CDFIs)', with testimony from Center for Community Investment Senior Fellow Annie Donovan; IFF CEO Joe Neri; United Bank CEO and President Bob Jones; and Access to Capital for Entrepreneurs CEO Grace Fricks

*Location: Rm 2362-A, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Natural Resources subcommittee hearing on water supply reliability – Water, Oceans, and Wildlife Subcommittee hearing on 'The State of Water Supply Reliability in the 21st Century', with testimony from Colorado Water Institute at Colorado State University senior water and climate research scientist Brad Udall; Community Water Center co-founder and co-executive director Susana De Anda; Western States Water Council executive director Tony Willardson; and Humboldt Fishermen's Marketing Association President Harrison Ibach

*Location: Rm 1324, Longworth House Office Building, Washington, DC; 10:00 AM*

- House Homeland Security subcommittees joint hearing on surface transportation and cyberattacks – Cybersecurity, Infrastructure Protection, and Innovation Subcommittee and Transportation and Maritime Security Subcommittee joint hearing on 'Securing U.S. Surface Transportation from Cyber Attacks', with testimony from Transportation Security Administration Office of Security Policy and Industry Engagement Surface Division Director Sonya Proctor; Cybersecurity and Infrastructure Security Agency National Risk Management Center Director Bob Kolasky; Center for Strategic & International Studies Technology Policy Program Director James Lewis; Interstate Natural Gas Association of America Director of Security, Reliability and Resilience Rebecca Gagliostro; Rail Security Alliance Vice President Erik Robert Olson; and FireEye Director of Intelligence Analysis John Hultquist

*Location: Rm 310, Cannon House Office Building, Washington, DC; 10:00 AM*

- House Judiciary Committee oversight hearing on administration family separation policy – Hearing on 'Oversight of the Trump Administration's Family Separation Policy', with testimony from Immigration and Customs Enforcement Acting Executive Associate Director of Enforcement and Removal Operations Nathalie Asher; Acting Deputy Assistant Attorney General for the Office of Legal Policy Joseph Edlow; Department of Health and Human Services Center for Faith and Opportunity Initiatives Senior Advisor Scott Lloyd; Customs and Border Protection U.S. Border Patrol Chief Carla Provost; and U.S. Public Health Service Commissioned Corps' Cmdr. Jonathan White

*Location: Rm 2141, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Small Business subcommittee hearing on lessons from the shutdown for SBA capital access programs – Investigations, Oversight, and Regulations Subcommittee hearing on 'Shutdown Lessons: SBA Capital Access Programs', with testimony from Small Business Administration Associate Administrator for Capital Access William Manger

*Location: Rm 2360, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Financial Services Committee hearing on credit bureaus – Hearing on 'Who's Keeping Score? Holding Credit Bureaus Accountable and Repairing a Broken System', with testimony from Equifax CEO Mark Begor; TransUnion President and CEO James Peck; Experian North America CEO Craig Boundy; National Fair Housing Alliance President and CEO Lisa Rice; National Consumer Law Center Staff Attorney Chi Chi Wu; UnidosUS Associate Director of Economic Policy Jennifer Brown; and U.S. Public Interest Research Group Consumer Program Director Edmund Mierzewski

*Location: Rm 2128, Rayburn House Office Bldg, Washington, DC; 10:00 AM*

- House Science, Space, and Technology subcommittee hearing on the future of ARPA-E –



Energy Subcommittee hearing on 'The Future of ARPA-E', with testimony from Stanford University Professor Dr Arun Majumdar; University of Maryland Distinguished University Professor Dr Ellen Williams; 2017 National Academies Review of ARPA-E Committee on Evaluation member Dr John Wall; Otherlab founder and CEO Dr Saul Griffith; and Manhattan Institute Senior Fellow Mark Mills

*Location: Rm 2318, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Armed Services subcommittees joint hearing on U.S. Navy reforms – Readiness Subcommittee and Seapower Subcommittee joint hearing on 'Naval Surface Forces Readiness: Are Navy Reforms Adequate?', with testimony from U.S. Fleet Forces Commander and U.S. Naval Forces Northern Command Commander Adm. Christopher Grady; and U.S. Navy Pacific Fleet Commander Adm. John Aquilino

*Location: Rm 2118, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Commerce subcommittee hearing on consumer privacy and 'big data' – Consumer Protection and Commerce Subcommittee hearing on 'Protecting Consumer Privacy in the Era of Big Data', with testimony from Color of Change Media, Democracy & Economic Justice Senior Campaign Director Brandi Collins; IAB Executive Vice President for Public Policy Dave Grimaldi; American Enterprise Institute Visiting Scholar Dr Roslyn Layton; Center for Democracy & Technology President and CEO Nuala O'Connor; and Business Roundtable Vice President for Technology, Innovation Denise Zheng

*Location: Rm 2123, Rayburn House Office Building, Washington, DC; 10:00 AM*

- Hearing on 'National Security Implications of the Rise of Authoritarianism Around the World'

*Location: Rm 210, Cannon House Office Building, Washington, DC; 10:00 AM*

- Dem Rep. A. Donald McEachin hosts panel discussion on clean energy and green jobs – Congressional Black Caucus Energy, Environment, and Agriculture Task Force co-chair Democratic Rep. A. Donald McEachin, in partnership with WE ACT for Environmental Justice, hosts panel discussion on 'our transition to an inclusive clean energy economy powered by green-collar jobs', with participants including Power 52 CEO and co-founder Robert Wallace, Green Door Initiative President and CEO Donele Wilkins, and Deep South Center for Environmental Justice Founding Director Dr Beverly Wright

*Location: Rm 2325, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Foreign Affairs subcommittee hearing on options for U.S. diplomacy on North Korea – Asia, the Pacific, and Nonproliferation Subcommittee hearing on 'On the Eve of the Summit: Options for U.S. Diplomacy on North Korea', with testimony from former U.S. Ambassador to the United Nations Bill Richardson; and Center for Strategic and International Studies Korea Chair Dr Victor Cha

*Location: Rm 2172, Rayburn House Office Building, Washington, DC; 10:15 AM*

- House Education and Labor Committee markup hearing – Markup hearing on 'H.R. 865, Rebuild America's Schools Act of 2019' (plus a manager's amendment) and 'H.R. 7, Paycheck Fairness Act' (plus an amendment in the nature of a substitute)

*Location: Rm 2175, Rayburn House Office Building, Washington, DC; 10:15 AM*

- House Energy Committee subcommittee hearing on EPA enforcement program – Oversight and Investigations subcommittee hearing on 'EPA's Enforcement Program: Taking the Environmental Cop Off the Beat', with testimony from Environmental Protection Agency Assistant Administrator for Enforcement and Compliance Assurance Susan Bodine; former EPA Office of Enforcement and Compliance Assurance Air Enforcement Division Director Bruce Buckheit; Air Alliance Houston Executive Director Dr Bakeyah Nelson; Environmental Integrity Project Executive Director Eric Schaeffer; Stony Brook University Center for the Study of Inequality and Social Justice Director Dr Chris Sellers; University of Virginia Frank Batten School of Leadership and Public Policy Associate Professor of Public Policy and Economics Dr Jay Shimshak; and former Assistant Attorney General for the Environment and Natural Resources Division Ronald Tenpas

*Location: Rm 2322, Rayburn House Office Building, Washington, DC; 10:30 AM*

- House Appropriations subcommittee hearing on the CBO budget – Legislative Branch Subcommittee hearing on 'Congressional Budget Office, FY 2020 budget request', with testimony from CBO Director Dr Keith Hall

*Location: HT-2, U.S. Capitol, Washington, DC; 11:00 AM*

- House Majority Leader Steny Hoyer pen-and-pad briefing

*Location: H-107, U.S. Capitol, Washington, DC; 11:00 AM*

- House debates privileged resolution to terminate President Trump's border wall national emergency – House of Representatives meets for legislative business, with agenda including 'H.J. Res. 46 – Relating to a national emergency declared by the President on February 15, 2019', plus consideration of 'S. 47 – Natural Resources Management Act' under suspension of the rules \* 'H.J. Res. 46' would terminate the 'National Emergency Concerning the Southern Border of the United States' announced by President Donald Trump earlier this month (which includes the authority to redistribute around \$6.6 billion in funding towards construction of a wall on the border with Mexico) using the termination mechanism of the National Emergencies Act. House Speaker Nancy Pelosi has called the national emergency unconstitutional. Analysts have suggested enough Republicans in the Senate could join Democrats in supporting the resolution to actually get it passed, but that President Trump would likely veto it, with



Congress short of the sufficient votes to overturn the veto

*Location: U.S. Capitol, Washington, DC; 12:00 PM*

- Markup hearing on 'H.R. 1, For the People Act of 2019, or a related measure, and for other purposes'

*Location: Rm 1310, Longworth House Office Building, Washington, DC; 1:00 PM*

- House Natural Resources subcommittee hearing on 'how industries manipulate science and policy' – Oversight and Investigations Subcommittee hearing on 'The Denial Playbook: How Industries Manipulate Science and Policy from Climate Change to Public Health', with testimony from former NFL player Chris Borland; Voices Project founder Ryan Hampton; Alexandra Precup of Puerto Rico; and George Washington University Department of Environmental and Occupational Health Professor Dr David Michaels

*Location: Rm 1324, Longworth House Office Building, Washington, DC; 2:00 PM*

- House Foreign Affairs subcommittee hearing on refugees, migrants, and asylum seekers – Africa, Global Health, Global Human Rights and International Organizations Subcommittee hearing on 'A Global Crisis: Refugees, Migrants and Asylum Seekers', with testimony from Democratic Rep. Raul Ruiz; Refugees International President (and former Assistant Secretary of State for Population, Refugees, and Migration) Eric Schwartz; and Amnesty International Grassroots Advocacy and Refugee Specialist Ryan Mace

*Location: Rm 2200, Rayburn House Office Building, Washington, DC; 2:00 PM*

- House Foreign Affairs subcommittee hearing on Venezuela – Western Hemisphere, Civilian Security, and Trade Subcommittee hearing on 'Made by Maduro: The Humanitarian Crisis in Venezuela and U.S. Policy Responses', with testimony from Brookings Institution Center for Universal Education Senior Fellow for Global Economy and Development Marcela Escobari; and former Inter-American Commission on Human Rights Executive Secretary Santiago Canton

*Location: Rm 2172, Rayburn House Office Building, Washington, DC; 2:00 PM*

- House / Senate Veterans' Affairs Committees joint hearing with VSOs – Senate Committee on Veterans' Affairs and House Committee on Veterans' Affairs joint hearing on 'Legislative Presentation of the Disabled American Veterans', with testimony from Disabled American Veterans National Commander Dennis Nixon, National Service Director Jim Marszalek, National Legislative Director Joy Ilem, Washington Headquarters Executive Director Randy Reese, National Adjutant J. Marc Burgess, National Headquarters Executive Director Barry Jesinoski, National Director of Voluntary Service John Kleindienst, National Director of Employment Jeffrey Hall, and DAV Auxiliary National Commander Ellen Timmerman

*Location: Rm G50, Dirksen Senate Office Building, Washington, DC; 2:00 PM*

- House Armed Services subcommittee hearing on DoD IT, cybersecurity, and information assurance – Intelligence and Emerging Threats and Capabilities Subcommittee hearing on 'Department of Defense Information Technology, Cybersecurity, and Information Assurance', with testimony from DoD CIO Dana Deasy, Acting Chief Management Officer Lisa Hershman, and Deputy Principal Cyber Advisor Brig. Gen. Dennis Crall

*Location: Rm 2212, Rayburn House Office Bldg, Washington, DC; 2:00 PM*

- House Armed Services subcommittee hearing on INF withdrawal – Strategic Forces Subcommittee hearing on 'INF Withdrawal and the Future of Arms Control: Implications for the Security of the United States and its Allies', with testimony from former Sen. Richard Lugar; former NATO Deputy Secretary General Alexander Vershbow; and former Assistant Secretary of State for Verification, Compliance, and Implementation Paula DeSutter

*Location: Rm 2118, Rayburn House Office Building, Washington, DC; 2:00 PM*

#### **Cabinet Officers:**

- Secretary of State Mike Pompeo is in Hanoi today, ahead of his participation in the summit

*Location: Hanoi*

- VA Secretary Wilkie testifies to House Appropriations subcommittee – Military Construction, Veterans Affairs and Related Agencies Subcommittee 'VA General Oversight Hearing', with testimony from Secretary of Veterans Affairs Robert Wilkie

*Location: Rm 2359, Rayburn House Office Building, Washington, DC; 10:00 AM*

- ACTE and Education Secretary DeVos make CTE Month visit to Academies of Loudoun in Leesburg, VA – Association for Career and Technical Education (ACTE) annual Career and Technical Education (CTE) Month site visit, joined by Secretary of Education Betsy DeVos in visiting Academies of Loudoun in Leesburg, VA

*Location: Academies of Loudoun, 42075 Loudoun Academy Drive, Leesburg, VA; 10:30 AM*

#### **Visitors:**

- No visitors scheduled.

#### **This Town:**

- U.S. Chamber ILR panel at NPC – U.S. Chamber Institute for Legal Reform host 'Securities Litigation Contagion' breakfast panel at the National Press Club, briefing on the spread of 'abusive securities class action lawsuits, release research on the issue, and recommend solutions to the problem, including legislative and administrative fixes'

*Location: National Press Club, 529 14th St NW, Washington, DC; 8:30 AM*

- U.S. Supreme Court hearings – U.S. Supreme Court hearings: 'United States v. Haymond' (Whether the court of appeals erred in holding 'unconstitutional and unenforceable' the

portions of Title 18 Section 3583(k) of the United States Code that required the district court to revoke the respondent's 10-year term of supervised release, and to impose five years of reimprisonment, following its finding by a preponderance of the evidence that respondent violated the conditions of his release by knowingly possessing child pornography?) \* 'Mont v. United States' (Whether a statute directed to the administration of imprisoned individuals serves as authority to alter or suspend the running of a criminal sentence of supervised release, when such 'tolling' is without judicial action, and requires the term 'imprisonment' as used in the administrative statute, to include pretrial detention prior to an adjudication of guilt?)

*Location: Supreme Court of the United States, Washington, DC; 10:00 AM*

- National Desert Storm memorial dedication – The National Desert Storm and Desert Shield Memorial Site dedication ceremony, with remarks from Kentucky Lieutenant Governor Jenean Hampton

*Location: 23rd Street Northwest & Constitution Avenue Northwest, Washington, DC; 10:30 AM*

- Dem Rep. Bennie Thompson discusses legislative and oversight priorities – Democratic Rep. Bennie Thompson discusses his legislative and oversight priorities with The German Marshall Fund of the United States President Dr Karen Donfried

*Location: The German Marshall Fund of the United States, 1744 R St NW, Washington, DC; 11:00 AM*

- HHS Secretary's Advisory Committee on National Health Promotion and Disease Prevention Objectives for 2030 meets – Department of Health and Human Services Secretary's Advisory Committee on National Health Promotion and Disease Prevention Objectives for 2030 latest meeting, held via webinar; 11:30 AM
- Atlantic Council event on sanctions – 'Using Sanctions Against Human Rights Abusers and Kleptocrats': Atlantic Council host discussion with Department of the Treasury Office of Foreign Assets Control Director Andrea Gacki, followed by panel including British Embassy to the U.S. First Secretary for Sanctions Gerald Regan, Navigant Managing Director Clay Porter, and International Crisis Group U.S. Program Director Stephen Pomper

*Location: Atlantic Council, 1030 15th St NW, Washington, DC; 1:00 PM*

- Tracy's Kids annual fundraising gala – Tracy's Kids annual 'And the Winner is...' fundraising gala, with guests walking a red carpet before watching their choice of one of a number of award-winning films. Hosts include Second Lady Karen Pence, Republicans Sen. Richard Shelby, and Reps. Doug Collins and Greg Walden, and Democrats Sen. Patrick Leahy, and Reps. Jim McGovern, Jerry Nadler, and Greg Walden

*Location: Regal Cinemas Gallery Place 14, 701 7th St NW, Washington, DC; 6:00 PM*

- American Association of State Highway and Transportation Officials Washington Briefing

*Location: Washington Court Hotel, 525 New Jersey Ave NW, Washington, DC*

- NAB State Leadership Conference – National Association of Broadcasters State Leadership Conference. Speakers include Federal Communications Commission Commissioner Michael O'Rielly and Republican Sen. Roger Wicker \* Includes events at Union Station on 26 Feb, and visits to Capitol Hill on 27 Feb

*Location: JW Marriott Washington, DC, 1331 Pennsylvania Ave NW, Washington, DC*

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FHFA Briefing

**DATE: TUESDAY, MAY 28, 2019 7:15 AM EDT**

## **TODAY'S TABLE OF CONTENTS**

### **FHFA NEWS**

- Calabria: Privatization Of GSEs May Not Happen At The Same Time. (HOUSEWR)
- UI Forum Tonight Will Feature Discussion Of GSE Reform By Ed DeMarco, Maren Kasper, Eric Kaplan, And Others. (INSDMORTG)
- March's FHFA HPI, Case-Shiller HPI, Conference Board Consumer Confidence Survey To Be Released Today. (MREP, DSN)
- Continuing Coverage: Calabria Vows To Cut Any Activities Outside Of GSEs' "Core Business Model." (INSDMORTG)

### **FHFA OIG**

- FHFA-OIG Investigation Into \$2M Fraud Leads To 13-Year Sentence. (IMPERIAL)
- Former Mirae Bank CMO Sentenced To 70 Months For Fraud. (IMPERIAL)

### **FANNIE MAE AND FREDDIE MAC**

- Wall Street Informant Providing 'Smoking Gun' Evidence Of FIs Manipulating GSE Bond Prices. (BLOOM, WP)
- Activist Investor Pressing HomeStreet To Sell Its Fannie Mae Multifamily Mortgage Operations. (NATMORNW)
- Freddie Mac's Danny Gardner Shares Tips For First-Time Buyers. (BIZINDER)
- REITs Growing Their RMBS Portfolios. (WSJ)
- Freedom Mortgage's Acquisition Of RoundPoint To Boost Its MSR Portfolio By 44 Percent. (NATMORNW, SCOTGUI, INSDMORTG, HOUSEWR, CLTBIZJ, CHAROBS, MPA, DSN, NATMOPRO, COMPELO)
- Attorney: Servicers Should 'Exercise Caution' In Property Preservation. (DSN)
- Continuing Coverage: Federal Prosecutors Charge Robert Morgan, Associates With Defrauding GSEs, FIs. (INSDMORTG)
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- Senate Democrats, CFPB Director At Odds Over Halt Of Military Lending Exams. (AMBNKR)

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- Banks Can Earn CRA Credit By Investing In Puerto Rico, But Few Are Doing It. (NBCNEWS)
- BankThink: ICBA CEO Pushes For Regulatory Relief For Community Banks. (AMBNKR)
- JPMorgan Chase Accused Of Closing Conservative Activists' Accounts. (NYPOST)
- APIs Allow Banks To Leverage Their Data. (AMBNKR)
- Regulators, Investors Grappling With Corporate Debt Market. (WSJ)
- Additional Reading. (AMBNKR)

## **TOP TREASURY NEWS**

- Trump Lawyers, House Panels Reach Agreement On Bank Subpoenas. (ABC, REU, CBSNEWS, CNN, WP, HILL)
- Fight Over Trump's Tax Returns Shifting Towards Democrats. (HILL, POLITICO, HUFFPOST)
- Administration Mulls Letting Companies Seek New Penalties Over Currency Manipulation. (WSJ, BLOOMLAW, BLOOM)
- Gerson: Trump Should Not Have Snubbed Tubman As Face Of \$20 Bill. (WP, LAT, NYT, USAT, NYDN, BSUN, MSNBC, NPR, AMBNKR)
- US Seeking Language On Devaluations In Any Japan Deal. (BLOOM)
- State Street's Grove Kicks Off American Banker's LEAD Conference. (AMBNKR)
- US Sanctions Magnifying Cuba's Economic Problems. (REU)
- Venezuelan Businessman Joined Plot To Oust Maduro, Escape US Sanctions. (WSJ)

## **TOP ECONOMIC NEWS**

- Treasury Yields Hit Lowest In Over 19 Months. (BLOOM)
- Dollar Rises. (REU)
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## **THE BIG PICTURE**

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## **D.C. SCHEDULE**

- Today's Events In Washington.

## **FHFA NEWS**

### **Calabria: Privatization Of GSEs May Not Happen At The Same Time. (HOUSEWR)**

[HousingWire](#) (5/24, Lane, 23K) reported that last week, Federal Housing Finance Agency Director Mark Calabria "spoke at length about possible methods for getting the GSEs out of government hands." HousingWire said, "First up, according to Calabria, will likely be the suspension of the net worth sweep, wherein Fannie and Freddie send their profits each quarter to the Department of the Treasury." Regardless of what method is chosen, "the privatization of the GSEs may not happen at the same time, Calabria told Reuters." Calabria "said one of the paths under consideration is staggering the schedule for privatization, according to Reuters." Calabria said, "I'm open to seeing what makes sense...that kind of sequencing hasn't been decided, but obviously if you tried to engineer them both at the same time, you're depending on more things going right at the same time." Reuters noted that Calabria spoke at MBA Secondary and laid out his "vision for the end of conservatorship."

### **UI Forum Tonight Will Feature Discussion Of GSE Reform By Ed DeMarco, Maren Kasper, Eric Kaplan, And Others. (INSDMORTG)**

Behind a paywall in its Short Takes, [Inside Mortgage Finance](#) (5/24, Muolo, Subscription Publication) reported that even though FHFA Director Calabria will not speak at the event, the Urban Institute's "Tuesday night pow-wow in Washington, DC" will involve more discussion of GSE reform and recap-and-release. The forum, "How Should We Think about Administrative Reform of the GSEs," will feature comments from "former FHFA acting Director Ed DeMarco, interim Ginnie Mae President Maren Kasper, and Milken Institute fellow Eric Kaplan and others." Kasper's appearance comes on the heels of Ginnie Mae completing a "series of meetings with 13 of the largest nonbank issuers" over liquidity standards.

### **March's FHFA HPI, Case-Shiller HPI, Conference Board Consumer Confidence Survey To Be Released Today. (MREP, DSN)**

According to [M Report](#) (5/24, Welborn), the FHFA today will release its House Price Index data for March. The last index showed "home prices increased by 0.3% in February from the prior month and jumped 4.9% from February 2018 to 2019." The newest Conference Board Consumer Confidence Survey will also be released today. [DS News](#) (5/24, Welborn) reported that the latest S&P CoreLogic Case-Shiller HPI will also be released today and "reveal home price changes for March. February's data saw that home prices in the US grew by just 4.3%," marking the "11th-consecutive month of slowing home-price growth, which is now at its lowest levels since 2012."

### **Continuing Coverage: Calabria Vows To Cut Any Activities Outside Of GSEs' "Core Business Model." (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/24, Muolo, Subscription Publication) reported, "Federal Housing Agency Director Mark Calabria this week threw down the gauntlet on 'charter creep' by Fannie Mae and Freddie Mac, announcing that an agency review is underway and measures will be taken to curb the expansionist tendencies of the two mortgage giants." Calabria told MBA Secondary attendees, "Anything that falls outside the GSEs' core business model will be curtailed or ended altogether." According to IMF, "His remarks regarding charter creep received scant coverage in the media as most news organizations – including this one – focused on a possible end to the almost-11-year-old conservatorships. Calabria's comments should have made it crystal clear to the managements of Fannie and Freddie that when it comes to new products and expansion, the two will be on a very short leash."

## **FHFA OIG**

### **FHFA-OIG Investigation Into \$2M Fraud Leads To 13-Year Sentence. (IMPERIAL)**

The [Imperial Valley \(CA\) News](#) (5/27, 1K) reports, "California Attorney General Xavier Becerra announced the sentencing of Andrew Valles for operating a \$2 million mortgage fraud scheme throughout Southern California. Today, Mr. Valles was sentenced to 13 years in state prison. Restitution was ordered in the amount of \$2,342,957." The sentencing and guilty pleas stem from a "joint investigation by the California Department of Justice, the California Department of Insurance, and the Federal Housing Finance Agency Office of the Inspector General."

### **Former Mirae Bank CMO Sentenced To 70 Months For Fraud. (IMPERIAL)**

The [Imperial Valley \(CA\) News](#) (5/27, 1K) reports, Ataollah Aminpour, the "former chief marketing officer at the now-defunct Mirae Bank," was "sentenced to 70 months in federal prison for his role in a scheme that caused the Koreatown-based lender to issue more than \$15 million in fraudulent loans, and ultimately caused the bank to suffer severe losses." The case was "investigated by the Federal Deposit Insurance Corporation's Office of Inspector General, the Federal Bureau of Investigation, the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and the Federal Housing Finance Agency's Office of Inspector General."

## **FANNIE MAE AND FREDDIE MAC**

### **Wall Street Informant Providing 'Smoking Gun' Evidence Of FIs Manipulating GSE Bond Prices. (BLOOM, WP)**

[Bloomberg](#) (5/24, Schoenberg, 4.73M) reports that lawyers who have "accused Wall Street banks of rigging the price of Fannie Mae and Freddie Mac bonds have a cooperator who is providing 'smoking gun' evidence including electronic chats, according to a new court filing." The lawsuit "includes chats between traders at Deutsche Bank and others at Goldman Sachs Group Inc., Morgan Stanley and BNP Paribas SA." The lawsuit "accuses more than a dozen financial institutions of ripping off pension funds and others from 2009 to 2016." The plaintiffs' lawyers, including the treasurer of Pennsylvania, "said chats and other information were received from a cooperating co-conspirator who discovered the conduct in January 2016."

The [Washington Post](#) (5/24, 14.2M) cited the lawsuit, providing a brief recap in its rundown of business news on Friday.

### **Activist Investor Pressing HomeStreet To Sell Its Fannie Mae Multifamily Mortgage Operations. (NATMORNW)**

[National Mortgage News](#) (5/24, Sinnock) reports Blue Lion, the activist investor "which has been waging a campaign for changes at HomeStreet Bank," is "pressing" it to "consider selling its Fannie Mae multifamily mortgage operations." New York-based, privately owned lender Dwight Capital "issued a statement on May 22 in which it said it had communicated its interest to HomeStreet in acquiring the latter's multifamily mortgage business." Dwight Capital "owns more than 6% of HomeStreet's stock and last year Blue Lion was thwarted in its attempt to fight for seats on HomeStreet's board." In a statement issued Thursday, the firm said, "Blue Lion expects the board to fully engage with Dwight Capital."

### **Freddie Mac's Danny Gardner Shares Tips For First-Time Buyers. (BIZINDER)**

[Business Insider](#) (5/27, McCamy, 3.67M) shared Freddie Mac Single-Family SVP Danny Gardner's tips for first-time homebuyers. Gardner addressed the myth that a 20 percent downpayment is required, noting that Freddie Mac has programs that allow borrowers to qualify with



downpayments as low as three percent. Gardner also shared advice regarding borrowers' credit scores, downpayment assistance, rate shopping, and navigating the appraisal process. According to Business Insider, "Gardner recommends a HUD-approved home buyer education provider, for unbiased information about the purchase process. Freddie Mac also offers online home buyer educational resources."

#### **REITs Growing Their RMBS Portfolios. (WSJ)**

The [Wall Street Journal](#) (5/28, Eisen, Subscription Publication, 7.57M) reports REITs are increasingly buying mortgages as the government's role in the market diminishes. Firms like Annaly have begun buying up mortgages that had traditionally been securitized by the GSEs, instead placing them into private MBS. According to the Journal, this trend could become even more prominent if the GSEs are scaled back.

#### **Freedom Mortgage's Acquisition Of RoundPoint To Boost Its MSR Portfolio By 44 Percent. (NATMORNW, SCOTGUI, INSDMORTG, HOUSEWR, CLTBIZJ, CHAROBS, MPA, DSN, NATMOPRO, COMPELO)**

[National Mortgage News](#) (5/24, Finkelstein) reported Freedom Mortgage's acquisition of RoundPoint Mortgage Servicing "gives it a major subservicer" and will "increase" its MSR portfolio by "nearly 44%." Under the deal, RoundPoint becomes a "wholly owned subsidiary of Freedom." When it is completed, which is "expected to occur" in Q3 or Q4, Freedom's MSR portfolio "will be in excess of \$300 billion. RoundPoint currently services and subservices \$91 billion." According to NMN, "In April, RoundPoint announced approval by Freddie Mac and Fannie Mae to service and purchase e-notes."

[Scotsman Guide](#) (5/24) reported, "A [joint statement](#) from the two companies did not disclose financial terms or plans for RoundPoint's headquarters in Charlotte, North Carolina, or its Dallas office." Behind a paywall, [Inside Mortgage Finance](#) (5/24, Muolo, Subscription Publication) reported Freedom will become a "top-10 ranked servicer" with the merger. According to IMF, "At one point the asking price was said to be \$200 million. It's unclear whether Freedom will assume RoundPoint's debt load." The sale is "subject to regulatory approvals and must be cleared by Fannie Mae and Freddie Mac, whose loans the two service. The amalgam will create a \$301 billion servicer that will rank ninth, a hair behind US Bank."

Providing similar coverage are [HousingWire](#) (5/24, Guerin, 23K), The [Charlotte \(NC\) Business Journal](#) (5/24, Hudson, Subscription Publication, 883K), the [Charlotte \(NC\) Observer](#) (5/24, Roberts, 470K), [Mortgage Professional America](#) (5/24, Smith), [DS News](#) (5/24, Wharton), [National Mortgage Professional](#) (5/24), and [Compele](#) (5/27).

#### **Attorney: Servicers Should 'Exercise Caution' In Property Preservation. (DSN)**

In a [DS News](#) (5/27) guest piece, McCalla Raymer Liebert Pierce, LLC Illinois Litigation Practice Group Managing Partner Marcos Pasada says servicers must remain "alert for notice" of "code violations and preservation issues" related to natural disasters. Properties "secured by defaulted mortgages can wind up vacant or in need of repair," and the municipality "may issue code violations and file suit naming both the owners of the property as well as anyone with a recorded interest." Under "the terms of the standard Fannie Mae and Freddie Mac" mortgage, servicers "typically" should "secure the property." When "ample evidence is mounted suggesting a property is vacant and in need of securitization or repair, it may be easy to rush an order to a vendor to secure or repair the property." However, Pasada urges servicers to "exercise caution" by reviewing the "terms of the mortgage," evaluating the "potential risk and exposure," and verifying if the municipality has "any vacant building registration or securitization requirements."

#### **Continuing Coverage: Federal Prosecutors Charge Robert Morgan, Associates With Defrauding GSEs, FIs. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/24, Hollier, Subscription Publication) reported, "Federal prosecutors in upstate New York late this week unsealed a 114-count indictment charging multifamily real estate investor Robert Morgan and associates with fraud in connection with roughly \$500 million of loans spread over 70 properties in six states." Prosecutors "allege that financial institutions" including "Fannie Mae, Freddie Mac, Arbor Commercial Mortgage and Berkadia Commercial Mortgage" incurred losses of "roughly \$25 million." Prosecutors "say the defendants doctored the income and purchase prices for various properties by maintaining a second set of books, and using fake liens, false contracts, and inflated invoices."

#### **Continuing Coverage: Incoming Freddie Mac CEO Says Not Enough Affordable Housing. (KSFOAM, KQNTAM, KGOAM, WKJKAM)**

[KSFO-AM](#) San Francisco (5/25, 13K) reported that in an interview on CNBC, Freddie Mac President and soon-to-be CEO David Brickman said the US does not have enough affordable housing. In addition to burdensome regulation and zoning issues, Brickman said that construction of affordable apartment units has become unprofitable for builders, causing them to cater almost exclusively to the higher-end segment of the market. However, Brickman said that new construction techniques like modular housing could help promote affordability. [KQNT-AM](#) Spokane, WA (5/25, 3K), [KGO-AM](#) San Francisco (5/25, 12K) and [WKJK-AM](#) Louisville, KY (5/25, 1K) also reported.

#### **Continuing Coverage: Freddie Mac Projects Steady Growth Of Housing Market In May**

## **Forecast. (VALREV)**

[Valuation Review](#) (5/24) reports Freddie Mac's May forecast projects "steady housing market growth" due to the "positive impact of low mortgage rates, a strong labor market, low unemployment, and modest wage growth." Freddie Mac Chief Economist Sam Khater said, "Our outlook for the housing market remains largely unchanged. We still expect stronger home sales and housing starts in the coming months due to favorable market conditions and accelerating wage growth."

## **Continuing Coverage: SBC Chair Crapo's February Bill Proposes Overhaul Of Fannie, Freddie, And Ginnie. (THIREA)**

Writing for [Think Realty](#) (5/27), syndicated columnist Peter Miller reports the GAO "has identified at least 14 GSE reform plans introduced on Capitol Hill to revamp Fannie Mae and Freddie Mac" prior to this year, and a "February proposal announced by Sen. Mike Crapo (R-ID), chairman of the Senate Banking Committee," constitutes the 15th such attempt. Miller asks, "After 14 times at bat, will the 15th congressional reform plan find enough support for enactment? Might the country adopt a proposal from the Executive Branch or maybe a plan from outside Washington? Or – just maybe – will Fannie Mae and Freddie Mac continue as they are, cash cows controlled by the government that mean billions of dollars in additional revenues for the Treasury Department?"

## **HOUSING FINANCE AND INDUSTRY**

### **RCA: Commercial, Multifamily Property Prices Grew 6.7 Percent Annually In April. (SCOTGUI)**

[Scotsman Guide](#) (5/24, Aurellano) reported, "The latest price-index report from Real Capital Analytics (RCA) revealed that commercial and multifamily property prices increased 6.7 percent annually in April." Overall growth was "keyed by industrial properties," which saw 10.3 percent YoY returns. By contrast, retail saw YoY price growth of just 2.5 percent. According to RCA, the apartment sector saw 7.1 percent YoY price growth, ranking "third among property sectors" behind industrial and central business district office properties, which "saw an 8.1 percent annual gain." Because "the apartment sector has enjoyed annual increases of more than 10 percent for most of the past eight years," April's numbers "continue a recent trend of decelerating growth."

### **Moody's Economist: Today's Housing Market Slowdown Does Not Point To A Correction. (DSN)**

The [DS News](#) (5/27, Ojha) interviewed Moody's economist Andres Carbacho-Burgos, who contends that today's housing market slowdown is in some ways different from the one leading up to the financial crisis. Although appreciation is slowing and home sales and construction have declined, he says there were "three key elements in the prelude" to 2008 that are "missing today." These include "much less overvaluation of the housing market on a national level," a lack of "deterioration in mortgage debt performance," and a more balanced "ratio of home values to returns." For these reasons, Moody's does not foresee a house price correction for the foreseeable future. Burgos also discussed the Fed's stance, mortgage rate trends, and the potential for inversion of the yield curve.

### **Banks Held A Record \$1.845B In RMBS At End Of Q1. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/24, Bancroft, Subscription Publication) reported, "Commercial banks and savings institutions valued their residential MBS holdings at \$1.845 trillion" at the end of Q1, "a new record high for the industry." However, "it was a record by the thinnest of margins: At the end of 2017, the bank/thrift MBS tally was \$1.844 trillion." According to IMF, "Industry investment in MBS grew by \$30.02 billion from December, a 1.7% increase, with all of it coming from the commercial banking sector." Savings institutions "reduced their MBS holdings by \$8.38 billion" during Q1.

### **Analysis Of FEMA, HUD Data Shows Flood Buyouts Have Grown More Expensive Over The Past Decade. (AP)**

The [AP](#) (5/21, Lieb) reports, "Over the past three decades, federal and local governments have poured more than \$5 billion into buying tens of thousands of vulnerable properties across the country, according to an Associated Press analysis of data from the Federal Emergency Management Agency and the Department of Housing and Urban Development." The analysis "shows those buyouts have been getting more expensive" as the "climate changes," with "many of the costliest coming in the last decade after strong storms pounded heavily populated coastal cities." 2019's "record flooding in the Midwest could add even more buyouts to the queue." Along "rivers and sea coasts, some homes that were once considered at little risk are now endangered" by rising water levels that are "surging farther inland than historic patterns predicted."

### **LendingTree: Student Debt Driving First-Time Buyers To Consider 'Fixer-Upper' Houses. (HOUSEWR)**

[HousingWire](#) (5/24, Lloyd, 23K) reported, "With more than \$1.5 trillion in student loan debt, new LendingTree research shows an overwhelming majority of first-time homebuyers are considering purchasing 'fixer-upper' homes to combat costs." LendingTree's data suggests 88 percent of homebuyers with student loan debt "are now more likely to consider a 'fixer-upper home'."

According to LendingTree, "Buyers paying off a student loan balance are more likely to consider purchasing a fixer-upper house than those with other kinds of debt, including personal loans, auto loans and credit cards. More than a quarter of homebuyers without debt don't want to purchase a home that requires significant renovations or repairs."

#### **DoD Report Suggests Military Servicemembers Financially Better Off Than General Population. (DSN)**

[DS News](#) (5/27, Albanese) reports the Department of Defense's Annual Report on financial literacy and preparedness, submitted to the CFPB, suggested that military servicemembers are slightly better off than the general population in terms of financial well-being. According to the report, the "higher levels of financial well-being exhibited by servicemembers may be explained by certain characteristics and benefits of military service. For example, the CFPB found in its research that US adults with a stable month-to-month income had a higher score (56) than those whose income varies from month-to-month (50). Individuals with employer-provided health benefits had a higher score (56) than those without (51)." DS News says the report indicated servicemembers still face financial challenges, however, with "about one-third of servicemembers" having "less than one month of emergency savings" and "23% of junior enlisted servicemembers" having "no emergency funds."

#### **UI, NAR, NAREB Issue Five-Point Framework For Addressing The Racial Homeownership Gap. (MPA)**

[Mortgage Professional America](#) (5/28, Greene) reports the Urban Institute, NAR, and NAREB have "put together a five point framework outlining the major areas on which they can focus to rectify the disparity between the national home ownership rate and the minority home ownership rate, particularly of that in the black community." These areas include "working at a local level and strengthening the efforts of community involvement corporations and local finance agencies"; focusing on "housing supply and affordability"; making finance "more equitable"; addressing "misperceptions about down payments and whether or not home ownership is a good investment"; and addressing "sustainability, so that homeowners are able to remain in their homes during the fluctuations of their personal circumstances as well as through the ups and downs of the housing market."

#### **Quicken Loans' Dan Gilbert Recovering From Stroke. (CRAINDBIZ, NATMORNW, FOXB, FREEP)**

[Crain's Detroit Business](#) (5/27, 73K) reports, "Dan Gilbert, founder and chairman of Quicken Loans Inc., is 'awake, responsive and resting comfortably' after suffering a stroke Sunday, according to a statement Monday night from Quicken Loans CEO Jay Farner." [National Mortgage News](#) (5/27, Venezuela), [Fox Business](#) (5/27, Barrabi, 1.73M), and the [Detroit Free Press](#) (5/26, 1.52M) provide similar coverage.

#### **Ellie Mae Releases New Digital Lending Platform. (DSN)**

[DS News](#) (5/24, Albanese) reported Ellie Mae "announced that it has launched a new release" of its Digital Lending Platform, helping "lenders of all sizes originate more loans across a wider variety of loan types, capitalize on the growing HELOC demand, sell and deliver loans more efficiently, provide a better loan officer experience and leverage the power of data to make better decisions faster."

#### **Optimal Blue Completes Integration Of Its Hedge Advisory And Loan-Trading Platforms. (DSN)**

[DS News](#) (5/24, Welborn) reported Optimal Blue recently announced "the completion of a 'lights-out' integration between its comprehensive hedge advisory and loan trading platforms." The "real-time integration uses a library of proprietary APIs to automate vital functions within the secondary marketing process that to date, have been increasingly complex and resource intensive." The "two-way integration" also "builds on the workflow automation that is already established within the Optimal Blue platform."

#### **ATTOM: Expect iBuyer Market To Continue Its Rapid Growth. (HOUSEWR)**

[HousingWire](#) (5/24, Guerin, 23K) says that a "recent report" from ATTOM "takes a deep dive into the iBuyer phenomenon, offering an up-close look at where they operate and where they're headed next." With Opendoor, Offerpad, Zillow, and Redfin on board, ATTOM CTO Todd Teta says iBuyers have been "expanding at breakneck speeds," and what "started as a moonshot idea six years ago has now blossomed into a massive, billion-dollar homebuying market in its own right" that is "not showing any signs of slowing." HousingWire reports that Teta "predicts this year will see continued action in Southern and suburban markets, and with the recent wave of sizable institutional investments in companies operating in this space, we can expect to see the iBuyer market continue impressive trajectory." HousingWire then lists the "cities where the major iBuyers are operating right now, according to ATTOM."

#### **NAHB/HUD Innovative Housing Showcase Kicking Off June 1 In Washington, DC. (WP)**

The [Washington Post](#) (5/27, Lerner, 14.2M) reports the Innovative Housing Showcase, a "five-day event co-hosted" by the NAHB and HUD, will "take place June 1-5 on the Mall between Fourth and

Seventh streets” in Washington, DC, featuring “panel discussions, interviews and demonstrations with exhibitors, lawmakers, entrepreneurs and housing industry leaders.” Exhibits “will include prototype houses” and “innovative building technology that addresses affordability and resiliency during natural disasters.”

#### **Editorial: Bay Area’s Crackdown On RVs Shows Impact Of Gentrification And Wealth On Housing Policy. (WP)**

On its front page, The [Washington Post](#) (5/23, Wilson, 14.2M) looked at the “housing crisis” in Berkeley, California, where a recent ban on living in recreational vehicles “prov[es] that even the most accepting of cities is not immune to the demands that often accompany wealth and gentrification.” The Post says the action “serves as a parable for how one seemingly small government decision and a lack of basic coordination can rumble through a region short on housing and high on frustration. The ban was itself a reaction to steps larger cities and the state have taken that created homeless migration around the Bay Area.”

#### **Continuing Coverage: NAHB Data Shows Confidence In Multifamily Market Weakened In Q1 As Vacancies Rose. (MPA)**

[Mortgage Professional America](#) (5/27, Osental) reports, “Consumer confidence in the market for new multifamily housing” has “weakened” in 1Q19, according to the NAHB. Its Multifamily Production Index, which “measures builder and developer sentiment about current conditions in the multifamily market,” fell “seven points from the previous quarter” to 40 – the “lowest reading” since 3Q10. NAHB’s Multifamily Vacancy Index, meanwhile, “rose three points to 48,” indicating a rise in vacancies. NAHB Multifamily Council Chairman Gary Campbell said, “Builders and developers are being cautious to see what happens with projects that were recently completed. However, we’re seeing that developers are reasonably optimistic about what’s ahead for units on the affordable end of the spectrum.”

#### **Continuing Coverage: Plaza Home Mortgage Launches High-Balance Access Loan Program. (MREP)**

[M Report](#) (5/24, Ojha) said Plaza Home Mortgage “has announced a new High-Balance Access loan program that allows borrowers to qualify for high-cost area loan amounts from \$484,351 to \$726,525, at competitive rates, regardless of where the property is located.” The program allows LTV ratios “up to 90% for purchase and 80% for refinance,” a minimum FICO score of 680, DTI ratio up to 43 percent, “DU Approve/Ineligible due only to loan amount,” and is eligible for “primary and second home residences.” Plaza Home Mortgage CFO Michael Fontaine said the program “lets originators qualify customers for affordable, non-Jumbo loans using loan limits that historically have only been available in GSE-designated high-cost areas,” adding, “This new finance option opens up a whole new market segment for originators to grow their business.”

#### **Continuing Coverage: Kenneth Harney Passes Away At 75. (CHIT, SFC, CHIDH, REALDEALFL)**

The [Chicago Tribune](#) (5/24, Barnes, 2.65M) reports, “Kenneth R. Harney, the author for four decades of the syndicated real estate column ‘The Nation’s Housing,’ which explored issues faced by homeowners and home buyers, died May 23 at his home” in Chevy Chase, Maryland. He was 75. According to his wife, the cause was acute myeloid leukemia. Also reporting were the [San Francisco \(CA\) Chronicle](#) (5/24, 2.67M), the [Chicago \(IL\) Daily Herald](#) (5/24, Harney, 358K), and The [Real Deal \(FL\)](#) (5/24, 10K).

## **REGULATORY NEWS**

#### **Senate Democrats, CFPB Director At Odds Over Halt Of Military Lending Exams. (AMBNKR)**

[American Banker](#) (5/27, Berry, Subscription Publication, 31K) reports CFPB Director Kraninger is “in a standoff with Senate Democrats over the bureau’s refusal to examine financial firms for compliance with the Military Lending Act.” Kraninger is “said to be unwilling to reverse a policy decision made in 2018 by Mick Mulvaney...according to sources who have met with the CFPB.” Both Kraninger and Mulvaney have “stuck to the claim that the agency lacks authority to conduct MLA exams.” While President Trump “wants to be seen as standing up for the military even as Kraninger comes under pressure from military groups to protect service members from financial fraud and predatory lending,” Democrats “led by Sen. Jack Reed (D-RI) do not support reopening the Military Lending Act to make the CFPB’s supervision authority more explicit, because doing so could lead financial firms to try to weaken the law’s 36% annual percentage rate cap for military personnel.”

#### **NAR Files Motion To Dismiss One Of The Anti-Trust Suits It Is Facing. (HOUSEWR, INMAN, REALDEAL)**

[HousingWire](#) (5/24, Guerin, 23K) reports in the last few months, NAR has been “hit with two nearly identical class-action lawsuits that claim its buyer broker compensation rules violate anti-trust laws.” But NAR “isn’t rolling over without a fight.” Last week, “the association filed a motion to dismiss the first suit, which was filed by a Minnesota home seller in March and also named Realogy, HomeServices of America, RE/MAX and Keller Williams.” NAR General Counsel Katie



Johnson said, "In fact, the commission offered to the buyer's broker is not at all determined by NAR or the MLS. And, contrary to what the class action law firms allege, the commission is subject to negotiation." Johnson added, "The MLS has been around for well over 100 years and has contributed to an orderly and efficient marketplace. We are going to aggressively defend ourselves, along with the rights that enable home buyers and sellers to continue to have access to a highly efficient market." [Inman](#) (5/23, Kearns, 10K) and The [Real Deal \(NY\)](#) (5/24, Kromrei, 124K) provide similar coverage.

#### **WPost: No Sense In Softening Dodd-Frank Rule That Could Prevent Another Financial Crisis. (WP)**

In an editorial, the [Washington Post](#) (5/27, 14.2M) questions a Trump Administration proposal to adjust the Dodd-Frank financial regulation law. The Post argues that while adjusting the law may be possible, it does not make sense to soften "a robust early-warning system for the safety and soundness of non-bank institutions." The Post concludes, "Better safe than sorry."

#### **Continuing Coverage: HUD Proposal Would Rescind Transgender Protections At Homeless Shelters. (HOUSEWR, FOXB)**

[HousingWire](#) (5/24, Lloyd, 23K) reports last week, HUD "proposed a new rule that has the potential to leave thousands of transgender Americans without shelter, according to an article written by Tracy Jan for The Washington Post." According to Jan, "[HUD] on Wednesday proposed a new rule that would weaken Obama-era protections for homeless transgender people, allowing federally funded shelters to deny people admission on religious grounds or force transgender women to share bathrooms and sleeping quarters with men."

**Carson Responds To Wexton's Calls For His Resignation.** [Fox Business](#) (5/24, 1.73M) reports HUD Secretary Carson responded to Rep. Jennifer Wexton's (D-VA) calls for his resignation, saying on Fox Business' Cavuto: Coast-to-Coast on Friday, "I think we've reached a very sad point in our country where a hearing that is supposed to be about what the policies are becomes just attack, attack, attack. Not being very interested in what the answers are." Carson said that the initial rule, which has been in place since 2012, is "not in any way being altered," and that the proposal only affects additions that were put in place in 2016. He added, "I wonder what Representative Wexton would say if she knew how much I've had to resist people who wanted the rule taken down all together."

### **BANK INDUSTRY NEWS**

#### **Banks Can Earn CRA Credit By Investing In Puerto Rico, But Few Are Doing It. (NBCNEWS)**

[NBC News](#) (5/24, 6.14M) reported US banks can help Puerto Rico while earning Community Reinvestment Act credit, but few have taken the opportunity. CRA accreditation opportunities "could be particularly helpful to banks that have been ranked as low-performing" by the OCC and other federal regulators "or have been caught up in public controversies." Yet, "not many" banks have taken advantage of the approximate 36-month window to make CRA-eligible investments in Puerto Rico after Hurricane Maria. Wells Fargo "recently provided a \$1.5 million grant" to an organization that helps small-business owners impacted by Maria. The investment comes after the OCC in 2017 downgraded Wells Fargo's CRA rating to "needs to improve." Although banks might be interested in helping Puerto Rico, "many don't have relationships in the community," said Chelsea Cruz, Associate Director of the New York Fed's Community Development Finance. Last week, the New York Fed began conducting educational workshops in Puerto Rico on CRA-eligible investments.

#### **BankThink: ICBA CEO Pushes For Regulatory Relief For Community Banks. (AMBNKR)**

In a BankThink piece for [American Banker](#) (5/24, Subscription Publication, 31K), Independent Community Bankers of America CEO Rebeca Rainey argues that regulators should "provide highly capitalized community banks with relief from onerous capital rules and excessive reporting requirements," helping both "consumers and small businesses." Praising Congress' "provisions providing 'qualified mortgage' status for portfolio mortgage loans at most community banks, expanding eligibility for the 18-month exam cycle, exempting most community banks from the Volcker Rule, restricting new Home Mortgage Disclosure Act reporting requirements to lenders that make more than 500 mortgages a year, and improving regulatory treatment of reciprocal deposits are already in effect," she concludes, "The S 2155 regulatory relief law has advanced numerous pro-Main Street reforms long sought by community banks. But that law, and many other high-priority policy issues, remain a work in progress. Let's finish the good work we started for the benefit of communities and consumers nationwide."

#### **JPMorgan Chase Accused Of Closing Conservative Activists' Accounts. (NYPOST)**

The [New York Post](#) (5/25, Byrne, 4.57M) reported JPMorgan Chase "is under fire for closing the bank accounts of several customers in the conservative movement as other right-wingers are threatening to close their accounts unless the bank plays nice." David Almasi, VP of the conservative-leaning National Center for Public Policy Research, "fear[s] the recent account closures by JPMorgan may be part of a larger purge by the bank, not yet public, of other accounts affiliated with right-leaning causes." And he "said [JPMorgan CEO Jamie] Dimon has only muddled



the waters, after assuring him the bank is not currently closing accounts for political reasons – but falling short of a flat-out blanket denial.” Almasi questioned Dimon at the bank’s annual shareholder meeting in Chicago last week. Almasi “said Dimon assured him the bank has not pulled any more customer accounts,” but “he stopped short” of saying the bank won’t do it in the future.

#### **APIs Allow Banks To Leverage Their Data. (AMBNKR)**

[American Banker](#) (5/26, Crosman, Subscription Publication, 31K) reported APIs are “considered by many as a golden key to open banking and innovation,” with banks employing them to enable corporate users to offer banking products directly to their customers, for example. APIs can allow banks’ customers to sync their financial data into their corporate accounting logs. Bank of America, JPMorgan Chase, Wells Fargo, and Citigroup offer this capability. Patty Hines, Head of Corporate Banking at Celent, commented, “Every bank has a slightly different strategy and a slightly different audience for their idea.”

#### **Regulators, Investors Grappling With Corporate Debt Market. (WSJ)**

The [Wall Street Journal](#) (5/27, Goldfarb, Chilkoti, Subscription Publication, 7.57M) reports the rise in corporate borrowing has both regulators and investors examining how debt markets may fare in an economic downturn. Fed Chair Jerome Powell in a speech last week discussed a number of concerns, including business debt as a share of the economy and disappearing protections for lenders to higher-risk firms.

#### **Additional Reading. (AMBNKR)**

- ***Bankshot: Taxi loan abuses part of a broader pattern in New York.*** [American Banker](#) (5/24, Subscription Publication, 31K)
- ***Simple drops e-billing, and gets heat from consumers.*** [American Banker](#) (5/24, Subscription Publication, 31K)
- ***Is time running out for small banks in real-time payments?*** [American Banker](#) (5/27, Subscription Publication, 31K)
- ***How did Donald Trump become a Florida bank’s client in chief?*** [American Banker](#) (5/24, Subscription Publication, 31K)

### **TOP TREASURY NEWS**

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#### **Trump Lawyers, House Panels Reach Agreement On Bank Subpoenas. (ABC, REU, CBSNEWS, CNN, WP, HILL)**

[ABC World News Tonight](#) (5/26, story 7, 0:35, Llamas, 4.66M) reported that “the President’s lawyers and House Intelligence Committees have come to an agreement about the Trump financial records they’ve been fighting over in court.” ABC’s Stephanie Ramos added Trump’s lawyers “have reached that agreement with the House Intelligence and Financial Services panels to hold off for now on making Trump’s financial records public, from Deutsche Bank and Capitol One. In exchange, Trump’s attorneys have agreed to an expedited court schedule. This means we may not see the documents produced for a while, or at all.”

[Reuters](#) (5/25, Johnson) reported Deutsche Bank and Capital One “will not have to immediately hand over the financial records of US President Donald Trump, three of his children and the Trump Organization, according to a court filing on Saturday,” which “followed an appeal submitted on Friday by Trump and his affiliates against an existing order from a federal judge allowing the banks to hand over financial records to Democratic lawmakers.” Reuters says the agreement marks “a rare accord between Trump’s attorneys, the banks and the House Intelligence and the Financial Services Committees.”

[CBS News](#) (5/25, 3.68M) and [CNN](#) (5/25, Alesci, 83.16M) also reported.

***Trump Appeals Ruling On Subpoenas To Deutsche Bank, Capital One.*** The [Washington Post](#) (5/24, Itkowitz, 14.2M) reported, “President Trump’s attorneys filed an appeal Friday to a federal judge’s decision not to intervene in congressional efforts to obtain financial records of the president, his children and his company.” The decision, adds the Post, “cleared the way for House Democrats to receive documents from Deutsche Bank and Capital One that were subpoenaed by House Financial Services and Intelligence committees.”

[Reuters](#) (5/24, Pierson) reported the President’s lawyers “are asking the 2nd US Circuit Court of Appeals in Manhattan to overrule US District Judge Edgardo Ramos.” [The Hill](#) (5/24, Thomsen, 2.98M) reported, “Trump, his private businesses and family members filed a lawsuit in April to halt the subpoenas.”

#### **Fight Over Trump’s Tax Returns Shifting Towards Democrats. (HILL, POLITICO, HUFFPOST)**

[The Hill](#) (5/27, Jagoda, 2.98M) reports President Trump is “being squeezed in the fight over his tax returns.” The piece explains that Democrats in the House are “expected to initiate a court case in the near future to obtain the documents. And a series of recent developments may not bode well for Trump’s efforts to keep lawmakers from seeing his returns.” The piece notes that federal judges “made rulings that sided with Democrats in two other cases where they issued subpoenas to obtain the president’s financial information,” and the Washington Post on Tuesday “reported

about a draft IRS memo written last fall finding that the Treasury secretary has no discretion when it comes to requests for tax returns made by the chairmen of Congress's tax committees." In addition, New York state lawmakers on Wednesday "passed legislation that would allow the chairmen of Congress's tax committees to request the state tax returns of Trump and other federal, state and local officials." These developments "come as House Democrats prepare to take legal action to obtain Trump's tax returns. House Ways and Means Committee Chairman Richard Neal (D-Mass.) previously issued letters and subpoenas seeking Trump's personal and business tax documents from 2013 to 2018, but those were rejected by the Treasury Department."

[Politico](#) (5/24, Faler, 4.29M) reported earlier that President Trump's "bet that it'll take years to resolve a coming court fight over his tax returns could be wrong." Federal courts are "already ruling quickly against Trump in his other attempts to block Congress. The Supreme Court could also be a dead end if the case doesn't present new legal issues or divide appellate courts." Politico said this means "there's a decent chance the White House could lose the fight and be forced to hand over Trump's tax records before the election." The piece noted Democrats "intend to release at least some of Trump's tax information to the public." Treasury Secretary Steven Mnuchin recently "rejected Democrats' subpoena, arguing they don't have a legitimate reason for seeking the returns." He said Wednesday the Administration would abide by whatever the courts decide. "If the third branch of government opines on Congress' right, then we would obviously supply the documents," he told a House panel. [HuffPost](#) (5/24, 1.67M) also covered the topic.

### **Administration Mulls Letting Companies Seek New Penalties Over Currency Manipulation. (WSJ, BLOOMLAW, BLOOM)**

The [Wall Street Journal](#) (5/24, Zumbrun, Subscription Publication, 7.57M) reported in continuing coverage that a new rule proposed by the Trump Administration would allow US companies to seek penalties against foreign competitors they allege benefit from artificially weak currencies. The piece explained that under the proposal, the Treasury Department would determine whether a currency is being manipulated, but would not necessarily be the final arbiter. [Bloomberg Law](#) (5/24, Subscription Publication, 4K) said the move would "further escalate its assault on global trading rules."

Meanwhile, [Bloomberg](#) (5/24, 4.73M) reported a source says the US is "refraining from labeling Vietnam a currency manipulator based on new data the country provided the Treasury Department." The piece explained that the "determination is a win for Vietnam, which had been at risk of the designation amid plans by President Donald Trump's administration to lower the threshold for labeling its trading partners manipulators." In recent weeks, Vietnam "provided additional data aimed at showing the U.S. Treasury it wasn't holding down the value of the dong. Vietnam also sent a top envoy to meet with Secretary Steven Mnuchin on Thursday." After the meeting, Mnuchin "tweeted a photo of himself alongside Vietnamese Deputy Prime Minister Pham Binh Minh, saying they talked about 'economic and trade relations.'"

### **Gerson: Trump Should Not Have Snubbed Tubman As Face Of \$20 Bill. (WP, LAT, NYT, USAT, NYDN, BSUN, MSNBC, NPR, AMBNKR)**

Michael Gerson writes in his column for the [Washington Post](#) (5/27, 14.2M) that the Trump Administration's "recent snubbing of Harriet Tubman in favor of extending Andrew Jackson's run as the face on the \$20 bill is particularly revealing and especially damning." The "most damning part of the controversy for Trump...comes from whom he is rejecting. In opposing Tubman, Trump has messed with the wrong woman."

The [Los Angeles Times](#) (5/24, 4.64M) slammed the decision by Treasury Secretary Steven Mnuchin in an editorial, saying it is probably "Trump's notorious petulance kicked in – or at least Mnuchin thought it might, so he made sure the Tubman bill would not replace the Andrew Jackson bill until long after Trump is out of office, if ever."

Also providing continuing coverage of the topic are The [Washington Post](#) (5/26, Cobbs, 14.2M), The [New York Times](#) (5/24, Salam, 18.61M), [USA Today](#) (5/27, 10.31M), The [New York Daily News](#) (5/24, Oliveira, Greene, 2.52M), [USA Today](#) (5/24, Shannon, 10.31M), The [Baltimore Sun](#) (5/25, Brown, 1.33M), [MSNBC](#) (5/24, 7.86M), and [NPR](#) (5/24, 3.12M).

**State Street's Grove Kicks Off American Banker's LEAD Conference.** [American Banker](#) (5/25, Tarkazikis, Subscription Publication, 31K) reported State Street Corp. Chief Marketing Officer Hannah Grove "kicked off American Banker's LEAD conference in New York with a message about the need to achieve gender parity that set the tone for the rest of the day." According to American Banker, the "lack of women in senior leadership is a hurdle in the effort to make progress, because visibility is so important in showing women that getting to the top roles is possible." That principle applies to currency, too. Red River Associates CEO Rosie Rios commented, "Think about how currency is used around the world. If we use this to define the history of our country, why are we missing half the people?" Rios set in motion the effort to put Harriet Tubman on the \$20 bill, "which was slated for production next year, but now could be delayed until after President Trump leaves office, according to comments made by Treasury Secretary Steve Mnuchin at Wednesday's House Financial Services Committee Hearing."

### **US Seeking Language On Devaluations In Any Japan Deal. (BLOOM)**

[Bloomberg](#) (5/24, Takeo, 4.73M) reported Treasury Secretary Steven Mnuchin "has said the U.S. wants any trade deal with Japan to include language that would prevent competitive devaluations." As Washington made sure "similar language was included in its proposed revised trade deal with Mexico and Canada" and "is expected to be part of any U.S.-China deal," Japan is

seeking to “avoid any clause that might tie the Bank of Japan’s hands. It has argued that currency moves and export volumes no longer correlate.”

#### **State Street’s Grove Kicks Off American Banker’s LEAD Conference. (AMBNKR)**

[American Banker](#) (5/25, Tarkazikis, Subscription Publication, 31K) reported State Street Corp. Chief Marketing Officer Hannah Grove “kicked off American Banker’s LEAD conference in New York with a message about the need to achieve gender parity that set the tone for the rest of the day.” According to American Banker, the “lack of women in senior leadership is a hurdle in the effort to make progress, because visibility is so important in showing women that getting to the top roles is possible.” That principle applies to currency, too. Red River Associates CEO Rosie Rios commented, “Think about how currency is used around the world. If we use this to define the history of our country, why are we missing half the people?” Rios set in motion the effort to put Harriet Tubman on the \$20 bill, “which was slated for production next year, but now could be delayed until after President Trump leaves office, according to comments made by Treasury Secretary Steve Mnuchin at Wednesday’s House Financial Services Committee Hearing.”

#### **US Sanctions Magnifying Cuba’s Economic Problems. (REU)**

[Reuters](#) (5/27, Marsh) reports “long lines outside shops with mostly bare shelves are increasingly common in Cuba” amid increased US sanctions, “and the government has indeed signaled that things are going from bad to worse.” Cuban President Miguel Diaz-Canel, “in a speech last month, accused the Trump administration of engaging in an ‘asphyxiating financial persecution that makes the import of goods and resources of primary necessity particularly difficult.’” The piece explains that the “degree to which new U.S. sanctions, due in part to Cuba’s support for Venezuelan President Nicolas Maduro, have compounded its economic woes is open to debate.” While the economy had “already stagnated in recent years in tandem with the implosion of strategic ally Venezuela,” the increase in sanctions, “which have hit the key tourism sector and added to investor and bank jitters about dealing with Cuba, has some economists predicting the economy will slip from stagnation into a full-blown recession later this year.”

#### **Venezuelan Businessman Joined Plot To Oust Maduro, Escape US Sanctions. (WSJ)**

The [Wall Street Journal](#) (5/27, Vyas, Forero, De Córdoba, Subscription Publication, 7.57M) reports Venezuelan opposition leaders turned to Venezuelan businessman Raúl Gorrín as part of an ill-fated plot to oust Maduro in late April. The Journal cites people familiar with the matter as saying that Gorrín wanted US sanctions on him lifted in exchange for his cooperation with the plot.

### **TOP ECONOMIC NEWS**

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#### **Treasury Yields Hit Lowest In Over 19 Months. (BLOOM)**

[Bloomberg](#) (5/27, 4.73M) reports the yield on 10-year Treasuries “decreased four basis points to 2.28%” as of 9:10 a.m. in London, “the lowest in more than 19 months.”

#### **Dollar Rises. (REU)**

[Reuters](#) (5/28, Wilkes) reports the dollar on Tuesday “rose 0.2% against a basket of peers, its index touching 97.791. It remains off a two-year high of 98.371 hit on Thursday.” Meanwhile, the yen “was in a holding pattern, rising 0.2% to 109.35 yen,” and the euro “slipped 0.1% to \$1.1179.”

#### **Gold Falls. (REU)**

[Reuters](#) (5/28, Sethuraman N R) reports, “Gold prices inched lower on Tuesday, dropping for the first time in four sessions, as the dollar rebounded from multi-week lows amid simmering Sino-US trade tensions and as bullion failed to surpass a strong technical resistance.” Spot gold “was down 0.2% at \$1,282.86 per ounce, as of 0702 GMT, after touching its highest since May 17 at \$1,287.32 in the previous session.” Meanwhile, US gold futures “were down 0.1% at \$1,281.80 an ounce.”

#### **Brent Falls, While WTI Rises. (REU)**

[Reuters](#) (5/28, Gloystein) reports, “Oil prices were mixed on Tuesday as supply cuts, led by producer club OPEC, and US sanctions on fuel exports from Iran and Venezuela supported crude, while concerns about an economic slowdown weighed on the market.” Front-month Brent crude futures “were at \$69.99 at 0637 GMT, down 12 cents, or 0.2%, from the last session’s close, when they rose 2.1%.” Meanwhile, West Texas Intermediate crude futures “were at \$59.03 per barrel, up 40 cents, or 0.7%, from their last close on Friday.”

### **THE BIG PICTURE**

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#### **Headlines From Today’s Front Pages.**

##### **Wall Street Journal:**

[Fiat Chrysler Unveils Renault Merger Proposal](#)

[European Elections Deepen Divisions In National Capitals](#)

[Fiat's Talks With Renault Propelled by Changes in Leadership](#)  
[Even A King Can't Rename A Country Without Some Complications](#)  
[Risky Municipal Bonds Are On A Hot Streak](#)

**New York Times:**

[Trump Administration Hardens Its Attack On Climate Science](#)  
[Trump Wants To Wall Off Huawei, But The Digital World Bridges At Barriers](#)  
[Google's Shadow Work Force: Temps Who Outnumber Full-Time Employees](#)  
[With His Job Gone, An Autoworker Wonders, 'What Am I As A Man?'](#)  
[With The 2020 Democratic Field Set, Candidates Begin The Races Within The Race](#)  
[Millennials 'Make Farming Sexy' In Africa, Where Tilling The Soil Once Meant Shame](#)

**Washington Post:**

[Europe's Green Parties Reach Kingmaker Status](#)  
[Bay Area Housing Crisis Tests Permissive Berkeley](#)  
[Trump Again Stands By Kim](#)  
[Voter Drive Leads To Tighter Law In Tenn.](#)  
[Kindness Amid The Crackdown](#)

**Financial Times:**

[France And Germany Clash Over Future EU Leadership](#)  
[Beijing's Relentless Campaign To End Poverty](#)  
[Fiat Chrysler Proposes €33BN Merger With Renault](#)

**Washington Times:**

[Trump In 'No Rush' For Deal, Says North Korean Missile Launches Could Be Bid For Attention](#)  
[First-Ever Private Border Wall Built In New Mexico](#)  
[High-Tech Military Makeover To Revolutionize How The U.S. Wages War](#)  
[Americans Take Up 'Duty' To 'Remember' Fallen Heroes On Memorial Day](#)  
[Biden Cruises As Dems Pull Punches Against Obama's Right Hand Man](#)

**Story Lineup From Last Night's Network News:**

**ABC:** Severe Weather; Colorado Man Dies From Climbing Mt. Everest; Trump-Japan Visit; Trump-Biden Comments; Hawaii-Shark Attack; Rip Currents Warning; MLB Icon Dies; Hawaii-Missing Hiker Found; Measles Outbreak; France-City Of Lyon Bombing; California-Students Clash With Police; Big Ten Semi-Finals-Ohio State V. Minnesota; World War II Vet Receives High School Diploma.

**CBS:** Severe Weather; Weather Report; Trump-Japan Visit; Colorado Man Dies From Climbing Mt. Everest; Hawaii-Shark Attack; Distracted Driving Study; Measles Outbreak; Georgia-Heartbeat Bill Backlash; Hawaii-Missing Hiker Found; MLB Icon Dies; VP Pence-Arlington National Cemetery; Memorial Day Celebrations; Wounded Warriors & Service Dogs Bond.

**NBC:** Severe Weather; Trump-Japan Visit; Trump-Pardons For War Criminals; Army Tweet; France-City Of Lyon Bombing; Colorado Man Dies From Climbing Mt. Everest; Hawaii-Missing Hiker Found; MLB Icon Dies; Songwriter Overcomes Odds And Writes For Pop Stars; Grand Canyon National Park-100th Anniversary; Boston-Memorial Garden To Fallen Veterans.

**Network TV At A Glance:**

Trump-Japan Visit – 6 minutes, 35 seconds

**Story Lineup From This Morning's Radio News Broadcasts:**

**ABC:** Trump-Visit To Troops In Japan; Japan-Tokyo Stabbing Attack; Severe Weather; Colorado Man Dies From Climbing Mt. Everest.

**CBS:** Severe Weather; Flooding In Plain States; Japan-Tokyo Stabbing Attack; Trump-Japan Visit; MLB Icon Dies.

**FOX:** Trump-Visit To Troops In Japan; Trump-Japan Visit; Japan-Tokyo Stabbing Attack; Southern States-Record Heat.

**NPR:** Trump-Visit To Troops In Japan; VP Pence-Arlington National Cemetery; Canada-North American Trade Agreement; Japan-Tokyo Stabbing Attack; Israel-Netanyahu Struggles To Form Government.

## **SOCIAL MEDIA RECAP**

**Key Social Conversations.**

A Bulletin Intelligence analysis of social media activity found that post engagement fell across the board over the holiday weekend. Kushner Cos.' acquisition of an apartment portfolio with \$800M in Freddie Mac financing garnered some attention. A related tweet from journalist Wendy Siegelman received 58 retweets and 50 likes, generating 42K impressions.

- **Wendy Siegelman tweeted (58 retweets, 50 likes, 42K impressions):**

Wendy Siegelman

@WendySiegelman



Kushner Cos \$1.1bil deal to buy portfolio of MD&VA apt buildings w/\$800 million loan by Berkadia federally backed by Freddie Mac, is "the biggest acquisition for Kushner Companies since the firm purchased 666 Fifth Avenue for a record \$1.8 billion in 2007" [therealdeal.com/national/2019/...](http://therealdeal.com/national/2019/...)

10:22 AM - 24 May 2019

• **@davedrouault tweeted (28 retweets, 51 likes, 397 impressions):**



**Dave**

@davedrouault

Yet more and more proof that it was the Big Banks caused the Great Recession which @FannieMae & @FreddieMac undeniably bailed them out! \$FMCC \$FNMA #FannieGate #EndTheSweep [gn24.ae/814833ec0ec4000](http://gn24.ae/814833ec0ec4000)

11:55 AM - 26 May 2019

• **@VTrusso12 tweeted (20 retweets, 42 likes, 38 impressions):**



**Michael Russo**

@VTrusso12

Fannie Mae is #22 on Fortune 500 list and #12 most profitable. [bit.ly/2XgTebP](http://bit.ly/2XgTebP)

3:33 PM - 27 May 2019

• **@CyndeLorenzi tweeted (17 retweets, 35 likes, 285 impressions):**



**Cynthia de Lorenzi**

@CyndeLorenzi

FHFA's Calabria Says Common Will Continue To Trade #fanniegate [seekingalpha.com/article/426628...](http://seekingalpha.com/article/426628...)

1:50 PM - 24 May 2019

## D.C. SCHEDULE

### Today's Events In Washington.

#### White House:

- President Trump — and THE FIRST LADY participate in a Farewell Call with Their Majesties the Emperor and Empress; and THE FIRST LADY visit JS Kaga with the Prime Minister of Japan; and THE FIRST LADY participate in a Memorial Day address to the troops aboard USS WASP.
- Vice President Pence — has no public events scheduled.

#### US Senate:

- Senate on recess from 24 May – 3 Jun

#### US House:

- House of Representatives on recess from 24 May – 3 Jun

#### Cabinet Officers:

- No public schedules released.

#### Visitors:

No visitors scheduled.

#### This Town:

- U.S. Supreme Court releases order list and possibly also opinions – U.S. Supreme Court releases an order list \* Court may also announce opinions today; 9:30 AM
- Brookings discussion on UK Parliament – 'The role of Parliament in today's Britain' Brookings Institution Foreign Policy discussion, on the UK Parliament's role in 'politics and policy at a pivotal time for one of the United States' closest allies.' Speakers include UK House of Commons Speaker John Bercow \* Event held as part of the Brookings-Robert Bosch Foundation Transatlantic Initiative  
*Location: Brookings Institution, 1775 Massachusetts Ave NW, Washington, DC; 9:45 AM*
- U.S. Supreme Court convenes for public non-argument session  
*Location: Supreme Court of the United States, Washington, DC; 10:00 AM*



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**Subject:** FHFA Briefing for Wednesday, May 22, 2019

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FHFA Briefing

**DATE: WEDNESDAY, MAY 22, 2019 7:15 AM EDT**

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- MBA: Refi Booms Absent From Today's Mortgage Market. (NATMORNW, SCOTGUI)
- Class Action Suit Accusing Traders Of Colluding To Rig GSE Bonds Is 'On Hold.' (BLOOM)
- Continuing Coverage: Trump Stresses Urgency For GSE Reform At NAR Expo. (MPA)

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- Freddie Mac Multifamily Appoints Four New VPs. (HOUSEWR)
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- First American: GSEs Completed 235K Refis In Q1, With 901 Loans Refinanced Through HARP. (MREP)
- Freddie Mac Planning K-Series Securitization Of Green Advantage Loans. (COMREDIR)
- BofA Offering \$0 Origination Fee On Some Mortgages, \$10K Toward Closing Costs On Freddie Mac Home Possible Loans. (HOUSEWR)
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- CoreLogic: SFR Growth Continued In March, With Average Rent Rising Almost 3 Percent YoY. (MREP)
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- Baby Boomers Skipping Downsizing, Staying In Their Homes. (USAT)
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- Some Banks Expanding Mortgage Lending As Many Others Pull Back. (AMBNKR)
- Sources: Pretium Considering Buying Deephaven. (INSDMORTG)
- Finance Professor: Millennial Homeownership Lag Threatens GDP Growth, Home Price Appreciation. (CONVERSUS, BIZINDER)
- Continuing Coverage: WSJ Says 'Wave' Of Millennial Homebuyers May Be Only 'A Ripple.' (HOUSEWR)
- Continuing Coverage: Forbes Piece Examines Factors Holding Back The Black Homeownership Rate. (DSN)

### REGULATORY NEWS

- HUD Secretary Defends Administration Proposal To Remove Illegal Aliens From Public Housing. (WP, FOX, HILL, POLITICO, USAT, TIME, MRKWTWCH, NSWK, AMBNKR, CBSNEWS, MSNBC, HOUSEWR, BIZINDER, HUFFPOST)
- NAHB Urges Trump To Remove Lumber Tariffs To Promote Housing Affordability. (HOUSEWR)
- OCC, Treasury, FBI Push For Centralized Database For Beneficial Ownership Info. (BLOOMLAW, AMBNKR, LAW360)

- Editorial Blasts Administration's 'Family Separation 2.0' Policy. (WP)

## BANK INDUSTRY NEWS

- Tarullo: Fed's Changes To Stress Testing Could Inhibit Banks' Resiliency. (AMBNKR)
- Next Wells Fargo CEO Must Submit Fingerprints, Tax Records To The OCC. (REU)
- BofA Closes Branches Amid Rise In Mobile, Online Banking. (ZACKINV)
- Trump's Lawyers To Argue For Injunction On Bank Subpoenas Wednesday. (NYPOST)
- JPMorgan Shareholders Approve Dimon's Pay, But With Fewer Votes Than Last Year. (REU, WSJ, BLOOM)
- Judge To Hear Oral Arguments Thursday Over Wells Fargo Loan Relief Glitch. (REU)
- BankThink: BB&T CEO Not Taking Advantage Of Opportunity To Refocus On Community. (AMBNKR)
- Additional Reading. (AMBNKR)

## TOP TREASURY NEWS

- Administration, Congressional Leaders Report "Progress" In Budget Meeting. (AP, CQRC, POLITICO, WP, HILL, REU, WT, CNN)
- Draft IRS Memo Contradicts Administration Reasons Denying Congress Trump's Returns. (WP, NYT, BLMTAX, DAYBEST, HILL, AXIOS, FOX, CNN, VOX, SLATEMAG, FT, MSNBC)
- Democrats Push Treasury's Blanco To Take Action On NYTimes Deutsche Bank Story. (POLITICO, AMBNKR)
- Trump Nominates McIntosh For Treasury International Affairs Role. (BLOOM, WSJ)
- Sources: Trump Delayed Action Against Huawei Until China Trade Talks Stalled. (BLOOM, FOX, AP, REU, WSJ, NYT, WP, BLMOPIN, NYPOST, FT)
- Sources: Administration Vetting "Longtime Fed Critic" Shelton For Board Seat. (NYT, WSJ, CNBC)
- US Companies With Foreign Affiliates Should Note Treasury's OFAC Settlement. (LAW360)
- US Preparing Charges, Sanctions Over Venezuela's Food-Aid Program. (WSJ, REU, NYT)
- Turkey Preparing For Possible US Sanctions Over Missile Defense Systems. (REU)
- Drop In IRS Tax Collectors Could Make It Easier For Businesses To Cheat. (BLMTAX, MRKWTWCH)

## TOP ECONOMIC NEWS

- Treasury Yields Drop Slightly. (BLOOM)
- Dollar Remains Steady. (REU)
- Gold Holds Near Two-Week Low. (REUUK)
- Oil Falls. (REU)
- Stocks Rise After Huawei Restrictions Temporarily Eased. (REU)

## THE BIG PICTURE

- Headlines From Today's Front Pages.

## SOCIAL MEDIA RECAP

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## D.C. SCHEDULE

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## FHFA NEWS

### Calabria's Comments Suggest GSE Common Shareholders May Get A Payout. (MRKWTWCH, INSDMORTG, ALPHA, DSN)

[MarketWatch](#) (5/21, Riquier, 1.67M) reports, "There may be a payout for the common shareholders of Fannie Mae and Freddie Mac." In a "surprise move," FHFA Director Calabria "affirmed that his agency" and Treasury "have been discussing ways to allow Fannie and Freddie to raise additional capital" in a "public appearance in New York." Then, in a "subsequent appearance on CNBC," Calabria "mentioned that the companies' common shareholders are part of discussions now underway, a comment that took many housing finance observers by surprise." Beacon Policy Advisors partner Brandon Barford said, "Existing common shareholders have not been a significant part of the discussion. Frankly, there hasn't been a lot of emphasis on the mechanics of how this would work. I'm curious about that and I'm not sure that's all been worked out in FHFA, let alone in negotiations with Treasury."

Behind a paywall in its Short Takes, [Inside Mortgage Finance](#) (5/21, Muolo, Subscription Publication) reports the price of GSE common shares rose after Calabria's Monday speech, and "the value of the junior preferred class of stock has increased nicely as well."

[Seeking Alpha](#) (5/21, Kiesche, 512K) provides a brief recap of Calabria's comments, and [DS News](#) (5/21, Welborn) shared a "Video Spotlight" featuring FHFA Director Calabria discussing "hurdles in the way of taking Fannie and Freddie out of conservatorship" with Diana Olick on CNBC.

**Cowen's Seiberg: Biggest Question Concerns Fate Of Government's Preferred Shares, Warrants.** Behind a paywall, [Inside Mortgage Finance](#) (5/21, Muolo, Subscription Publication) reports that in a "research note commenting on the Calabria speech" on Monday,

Cowen analyst Jaret Seiberg wrote, "His plan is to cut a deal with Treasury on the net-worth sweep late this year in order to have a roadmap ready by the start of 2020 for what Fannie and Freddie need to do to escape conservatorship ... To us, the biggest question remains how the government handles its preferred stock and its warrants for 80% of the common. Not surprisingly, Calabria does not discuss those issues."

**Freddie Mac's Layton: GSE Privatization Could Take Four Or Five Years To Complete. (REU, USNEWS, OANN, BLOOM, AMBNKR, ALPHA, TXBANK)**

[Reuters](#) (5/21) reports, "It could take four to five years to raise the capital needed to privatize mortgage giant Freddie Mac using a combination of retained earnings and a public offering of stock, Freddie Mac chief executive Donald Layton said on Tuesday." To reach a target capital level of \$50 billion at Freddie, Layton said, "you can talk about a baseline of retained earnings for four or five years and an IPO of some billions to get over the line." Additionally, Layton reportedly "added it would be hard to accelerate the timeline" due to "legal and other issues still to be resolved." He explained, "It is not clear how this is going to work...Equity investors are going to have this issue front and center. ... It is a lot of money...You are not going to do this in one week in one go." Layton also suggested that Fannie Mae may need to raise around \$75 billion. Carrying Reuters' coverage are the [U.S. News & World Report](#) (5/21, 2.4M) and [One America News Network](#) (5/21, 28K).

[Bloomberg](#) (5/21, Westbrook, Matthews, 4.73M) reports in a piece carried by [American Banker](#) (5/21, Subscription Publication, 31K) that Layton "noted the biggest" IPO ever was Alibaba, raising \$25 billion. Considering the scope of legal complications and the large sum of cash necessary for privatization, Layton said, "This is unprecedented to my knowledge." American Banker reports that FHFA Director Calabria "said in a Monday speech that he's determined to free" the GSEs from their conservatorship, but that the "first and foremost" factor in their release is "their ability to raise capital."

[Seeking Alpha](#) (5/21, Kiesche, 512K) reports, "On Monday, [Calabria] said the two companies need to build up adequate capital before they can be privatized, which means that the sweeps of extra profits from Fannie and Freddie into the U.S. Treasury would have to end. He gave no time horizon for when that would happen." [Texas Bankers Association](#) (5/21) reports that on Monday, Calabria acknowledged that "it would likely take a very long time to build sufficient capital through retained earnings alone." Calabria also said that while he wants to work with Congress to pursue reforms, he is "not going to wait on Congress" to get started.

[Reuters](#) (5/21) issued a brief recap of the more extensive Reuters coverage referenced above.

**MBA: Refi Booms Absent From Today's Mortgage Market. (NATMORNW, SCOTGUI)**

[National Mortgage News](#) (5/21, Finkelstein) reports, "The era of plentiful refinance volume is over for the foreseeable future, the result of mortgage rates remaining in a very narrow band for the past decade, said [MBA] Chief Economist Mike Fratantoni." He said at MBA Secondary on Monday that the "unexpected drop in mortgage rates" since November has been "incredibly positive" for home purchases, but it has had a "muted" impact on refis. He stated that today's mortgage market is "structurally" different than it has been in the past. Fratantoni's "latest forecast is for \$1.682 trillion of volume in 2019, up from \$1.675 trillion from his April projections, and 2% above 2018's \$1.64 trillion in originations. His purchase forecast is unchanged, but he increased his refinance to \$438 billion from \$431 billion," with his forecast falling "between Fannie Mae's \$1.66 trillion and Freddie Mac's \$1.73 trillion." All three call for GDP growth of 2.3 percent this year.

[Scotsman Guide](#) (5/21, Aurellano) reports, "Fratantoni's observations are corroborated by recent numbers from the Federal Housing Finance Agency, which reported that Fannie Mae and Freddie Mac completed just 234,716 refinances in 2019's first quarter. That's the smallest amount of refinances for a quarter since the Great Recession. Before that, the 245,619 loans refinanced in the fourth quarter of 2018 were also a post-downturn low."

**Class Action Suit Accusing Traders Of Colluding To Rig GSE Bonds Is 'On Hold.' (BLOOM)**

[Bloomberg](#) (5/22, Schoenberg, 4.73M) reports a "top Manhattan class-action lawyer spread anxiety across trading desks recently when he identified 27 traders by name in a lawsuit alleging that their employers colluded to rig trading in Fannie Mae and Freddie Mac bonds." However, "the lawyer's suit is effectively on hold – meaning that any evidence he collected could remain under wraps, while the traders may have no legal venue for answering any questions the filing may have raised." The lawyer, Quinn Emanuel Urquhart & Sullivan LLP's Dan Brockett, "lost his attempt this month to lead a proposed class action accusing nearly a dozen banks of ripping off pension plans and others through collusion and fraud." This suit was "akin to several previous class actions that have made him a nemesis of Wall Street." Brockett's firm "says it has won more than \$35 billion in damages from banks," including \$25 billion for the FHFA over toxic MBS.

**Continuing Coverage: Trump Stresses Urgency For GSE Reform At NAR Expo. (MPA)**

[Mortgage Professional America](#) (5/21, Mendoza) reports President Trump "addressed issues regarding the privatization" of the GSEs at NAR's Legislative Meetings and Trade Expo. He "cited a memorandum he issued in March" urging HUD and Treasury "to work on releasing Fannie and Freddie from the government's control." Trump said, "We have many geniuses looking at it, and we'll figure something out. But Fannie and Freddie can do a lot better than they're doing. ... I know you have some incredible talent from Wall Street coming in." MPA adds that FHFA Director

Calabria “also outlined his plans for making sure the GSEs can properly move away from conservatorship,” saying, “I would not feel comfortable having [the GSEs] exit conservatorship until I’m comfortable knowing that we never go back to the old days, pre-crisis, and that we have a Fannie and Freddie that are responsible, good corporate citizens that don’t have the arrogance we saw before the crisis.”

## **FANNIE MAE AND FREDDIE MAC**

### **At MBA Secondary, GSE Executives Warn Of ‘Zombie’ Libor. (REU)**

[Reuters](#) (5/21, Leong) reports the US mortgage industry “may have to grapple with a ‘zombie’ version” of Libor “even after the rate benchmark is expected to be phased out after 2021, industry officials said Tuesday.” Freddie Mac Single-Family SVP Timothy Kitt said, “It feels Y2K-ish. People are starting to feel the burn.” Kitt was part of a panel at MBA Secondary, which discussed the market’s reluctance to adopt SOFR and the challenges that Libor’s phaseout poses. Another panelist, Fannie Mae SVP Renee Schultz, “voiced concerns about managing legacy Libor-based loans and products after 2021 especially if a comparable index does not exist by then.” Schultz and Kitt suggested that a “zombie” Libor may exist to support those legacy products, even if it is no longer an accurate measure of borrowing costs.

### **Freddie Mac Multifamily Appoints Four New VPs. (HOUSEWR)**

[HousingWire](#) (5/21, Lloyd, 23K) reports Freddie Mac “recently announced it expanded its multifamily mortgage banking team, appointing Geri Borger Ugo, Catherine Evans, Michael Case and Amanda Nunnink to newly expanded VP positions.” Freddie Mac Multifamily EVP Debby Jenkins said, “As Freddie Mac Multifamily continues to transform our business and lead into the future, identifying and developing skilled leaders who exemplify our values is essential.” Jenkins added, “I couldn’t be more pleased to see these four accomplished leaders advance their careers at Freddie Mac. Although each possesses unique abilities, all of them demonstrate the best of our culture – valuing relationships, diverse strengths, excellence in execution and a continual commitment to best-in-class service.”

### **GSEs’ Single-Family MBS Issuance Gets A Boost From Spring Homebuying Activity. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/21, Bancroft, Subscription Publication) reports, “The warming of spring homebuying activity was the major factor in April’s 13.2% increase in issuance of single-family mortgage-backed securities by Fannie Mae and Freddie Mac.” A new IMF analysis found the GSEs “issued \$63.33 billion of single-family MBS last month, a \$7.37 billion increase from March. Most of the gain came from a 27.6% surge in purchase-mortgage business, which topped \$40 billion for the first time since November.” Fannie’s purchase-loan activity rose 31.8 percent, while Freddie “saw a 21.6% gain from the previous month.” Overall, refi business rose 11.5 percent from March to April, “which was all due to a 24.1% increase at Fannie. Refi securitizations slipped 2.2% at Freddie.”

### **First American: GSEs Completed 235K Refis In Q1, With 901 Loans Refinanced Through HARP. (MREP)**

[M Report](#) (5/21, Albanese) says First American “reported that Fannie Mae and Freddie Mac completed 234,716 refinances” in Q1, with “901 loans refinanced” through HARP. This brings the “total number of HARP refinances” to 3.49 million. The report “added that an increase was found in the volume of total refinances in March as mortgage rates have seen a steady decline. The average interest rate on a 30-year fixed rate mortgage fell to 4.27% in March from 4.37% in February.”

### **Freddie Mac Planning K-Series Securitization Of Green Advantage Loans. (COMREDIR)**

Mostly behind a paywall, [Commercial Real Estate Direct](#) (5/21, Moynihan) reports Freddie Mac is “planning a K-series securitization that would be backed solely by loans written under its Green Advantage program.” Collateral for all of the deal’s loans “would be classified as workforce housing.” Freddie is “shooting to securitize \$500 million of loans under the deal, tentatively named FREMF, 2019-KG01.”

### **BofA Offering \$0 Origination Fee On Some Mortgages, \$10K Toward Closing Costs On Freddie Mac Home Possible Loans. (HOUSEWR)**

[HousingWire](#) (5/21, Lane, 23K) reports, “With the mortgage business recently suffering its worst three-month stretch in more than four years, competition for borrowers appears to be heating up.” Bank of America “recently announced that it will give ‘eligible borrowers’ as much as \$10,000 that they can use toward their down payment or closing costs when they get a Freddie Mac Home Possible mortgage, which require as little as 3% down from the borrower.” BofA is also “now offering a \$0 lender origination fee on certain mortgages” for the next five months.

### **Plaza Unveils New High-Balance Loan Program. (HOUSEWR, NATMOPRO)**

[HousingWire](#) (5/21, Lane, 23K) reports Plaza Home Mortgage is “expanding its mortgage offerings again.” After recently expanding its non-QM lending program to “allow brokers and correspondent lenders to qualify more non-traditional borrowers,” Plaza “announced this week that it is rolling out



a new high-balance loan program that allows borrowers to qualify for loan amounts between \$484,351 and \$726,525 at 'competitive rates.'" These figures "match the 'high cost' loan amounts established by Fannie Mae, Freddie Mac," and the FHA for "areas of the country where home prices are typically higher [than] the rest of the country." Plaza CFO Michael Fontaine said, "Plaza's new High Balance Access loan program lets originators qualify customers for affordable, non-Jumbo loans using loan limits that historically have only been available in GSE-designated high cost areas." [National Mortgage Professional](#) (5/21, Hall) provides similar coverage.

#### **Podcast: Tim Mayopoulos Discusses Transition From Fannie To Blend, State Of Industry And Digital Lending. (HOUSEWR)**

In a [HousingWire](#) (5/21, 23K) News Podcast, Editor-in-Chief Jacob Gaffney chats with Blend President Tim Mayopoulos about "his transition from GSE to Fintech" and "why he joined Blend." Additionally, Mayopoulos touches on the current rate environment, the "outlook for lenders," and what lenders "need to focus on."

#### **Analysis: GSEs' CRTs Highly Effective At 'Insulating Taxpayers From Losses.' (ADVPRO)**

In an [Advisor Perspectives](#) (5/21) analysis, AllianceBernstein executives Michael Canter and Janaki Rao write, "Credit risk-transfer securities (CRTs) have made the US mortgage market safer by shifting default risk from taxpayers to private investors. The latest attempt to overhaul the housing finance system isn't likely to change that." According to the duo, CRTs are "already doing one of the things that the reformers in the White House and Congress say they want done: insulating taxpayers from losses." Fannie and Freddie "began issuing CRTs in 2013." By "building a layer of private capital" in to the GSEs' capital structure, CRTs "have been successful in shoring up the market and getting US taxpayers off the hook for losses."

#### **Continuing Coverage: Freddie Predicts Cheaper Rates Will Continue Boosting Refi Share. (HOUSEWR)**

In its coverage of Black Knight's latest delinquency data, [HousingWire](#) (5/21, Howley, 23K) reports the refi share is likely to remain elevated, according to Freddie Mac. Cheaper rates "probably will boost the refinancing share of mortgage originations to 33% this year from 30% in 2018, Freddie Mac said [in its latest forecast]. That should push mortgage originations for refinances to \$569 billion from \$487 billion." Purchase originations are forecast to "rise to \$1.16 trillion this year from \$1.15 trillion in 2018."

## **HOUSING FINANCE AND INDUSTRY**

#### **NAR: April Existing Home Sales Fell, But Economists Expect Improvement. (BLOOM, CNBC, PBSNBR, REU, USAT, HOUSEWR, MORTORB, MRKWTCH, MORTND, NATMOPRO)**

[Bloomberg](#) (5/21, Pickert, 4.73M) reports, "Sales of previously owned U.S. homes unexpectedly cooled in April, the fifth drop in six months, signaling a rocky start for the housing market this quarter amid a still-tight supply of available properties."

In [CNBC's](#) (5/21, Olick, 3.62M) [Nightly Business Report](#) (5/21), Diana Olick says a "sizable drop in mortgage interest rates didn't do much to help home sales," as "tight supply at the low end of the market continued to sideline buyers." According to NAR, existing home sales fell 0.4 percent in April from March, reaching a seasonally adjusted, annualized rate of 5.19 million units. Sales were "4.4% lower compared with April 2018," and this marked the "14th straight month of annual declines." Still, some economists see improvement on the horizon. In Freddie Mac's most recent monthly report, Chief Economist Sam Khater said the GSE still expects "stronger home sales and housing starts in the coming months due to favorable market conditions and accelerating wage growth."

[Reuters](#) (5/21, Mutikani) reports the "unexpected drop in sales...came on the heels of data last week showing retail sales and industrial production dropped in April, which prompted economists to cut growth forecasts for the second quarter." Economists polled by Reuters "had forecast existing home sales rising 2.7% to a rate of 5.35 million units in April." Wells Fargo Securities economist Charlie Dougherty said a "mismatch between strengthening entry level demand and scarce entry level supply is likely playing a role in the underwhelming sales pace." According to him, a "significant breakout in existing home sales is unlikely this year."

However, [USA Today](#) (5/21, Zhang, Today, 10.31M) reports NAR Chief Economist Lawrence Yun believes that home sales should pick up. Freddie Mac's data indicates mortgage rates are "historically low," so "buyers will look to take advantage of these conditions," he said. Yun added that "job creation is improving, causing wage growth to align with home price growth, which helps affordability and will help spur more home sales." [HousingWire](#) (5/21, Lloyd, 23K) reports Yun "said he is not overly concerned about the 0.4% dip in sales and expects moderate growth very soon," although [Mortgage Orb](#) (5/21, Barnard) reports Yun also "[said] that college student debt continues to hinder millennial homebuyers." Yun commented, "Given the record high job openings in the construction sector, some may want to take a gap year to work there and save, and thereby lessen the student debt burden."

[MarketWatch](#) (5/21, Riquier, 1.67M) reports the "median selling price in April was \$267,300, a 3.6% increase." Current supply sat 4.2 months in April, "well below the 6-month threshold that's traditionally been considered a marker of a balanced market." Sales were "down 4.5% in the Northeast and 0.4% in the South. They were flat in the Midwest and up 1.8% in the West. First-

time buyers made up 32% of transactions in April, while individual investors accounted for 16% of buyers during the month." MBA Chief Economist Mike Fratantoni said although existing-home sales "slipped," the "unadjusted data shows some strength, particularly in the South and Northeast, suggesting that seasonal patterns may be a bit different this year."

Also reporting are [Mortgage News Daily](#) (5/21, Swanson) and [National Mortgage Professional](#) (5/21, Hall).

### **Black Knight: Delinquencies And Foreclosures Continued Falling In April, Prepayments Continued Their Surge. (NATMORNW, MORTND, MPA)**

[National Mortgage News](#) (5/21, Centopani) reports the "distressed mortgage market continues to dry up," with delinquencies at a "record low rate" and foreclosure filings dropping on an annual basis for 10 consecutive months, according to data from Black Knight. Mortgage delinquency rates "fell to 3.47% in April, the rock-bottom since Black Knight started recording it in 2000."

Delinquencies fell 5.4 percent YoY and 5.1 percent MoM. With mortgage rates "remaining low" and home sales rising, prepayments "continued gushing in April," climbing 17.7 percent annually and 17.5 percent from March. While prepayment speeds "may ultimately be short lived, they're a concern for Ginnie Mae's MBS program." Foreclosure starts continued to fall in April, down 13 percent annually and 5 percent from March.

[Mortgage News Daily](#) (5/21, Swanson) reports, "Serious delinquencies...fell to 474,000, marking a 124,000 year-over-year decline (19,000 fewer than in March) and a 12-year low." The foreclosure inventory "numbered 259,000 in April, .50 percent of all mortgage loans. This is down by 5,000 units from March and 55,000 year over year."

[Mortgage Professional America](#) (5/21, Randall) reports the states with the highest percentages of non-current mortgages were Mississippi, Louisiana, Alabama, West Virginia, and Arkansas. The states with the lowest percentages of non-current mortgages were North Dakota, Idaho, Washington, Oregon, and Colorado.

### **Ginnie Mae's Efforts To Crack Down On VA Churn A 'High-Profile Issue' At MBA Secondary. (HOUSEWR, NATMORNW)**

[HousingWire](#) (5/21, Wheeler, 23K) reports that the "most high-profile issue" for MBA Secondary's panel of Ginnie Mae, VA, FHA, and USDA executives was "the churn of VA loans and how Ginnie Mae is handling that." Ginnie Mae Acting President Maren Kasper "said the agency was using two general principles to guide their policies: protecting the veteran benefit and making sure there are making prudent, data-driven solutions." She explained, "A year ago, we were looking at specific issuers that were outliers, going after the idiosyncratic nature of the problem. That worked, but then we had a period of time where rates were rising, and we're also still seeing elevated prepayment speeds. When we see prepayment speeds are elevated, it's a sign of refis occurring in a rising rate environment."

**Kasper: Ginnie Seeking Input On Dealing With Churn.** [National Mortgage News](#) (5/21, Sinnock) reports Kasper said, "What the data has shown is that VA cash-outs, particularly ones with higher loan-to-value ratios, have the fastest prepayment speeds in the security relative to other VA loans, and relative to FHA borrowers." NMN reports that in an interview, Kasper said, "Now, we're soliciting feedback on a potential policy. This is something that Ginnie Mae has never done before. We've never put out a request for input. Ginnie Mae has always just made policy. This time, we want to hear from all stakeholders. We want to hear from issuers. We want to hear from investors and anyone that has a view on this to make sure that we are striking the right balance."

### **Ginnie Mae, FHA Turn Focus To Digital Mortgages. (NATMORNW)**

[National Mortgage News](#) (5/21, Centopani) reports the FHA and Ginnie Mae will "use their lagging digital mortgage positions to their advantage as they put an emphasis on building their technology." FHA Deputy Assistant Secretary for Single-Family Housing Gisele Roget said at MBA Secondary, "We want to get digital. We want to get away from the thousands of case binders full of paper. We want to have a system that will take a loan through its life cycle." According to MBA Chairman Christopher George, by "being late" to the tech party, FHA and Ginnie might be able to learn from others' mistakes. Ginnie Mae Acting President Maren Kasper "outlined the association's 2020 plan in three pillars: creating a single sign-on for users, ensuring maximization of data capabilities, and boosting the digital mortgage and e-mortgage initiative." Kasper "said to expect a digital mortgage pilot toward the end of the year."

### **CoreLogic: SFR Growth Continued In March, With Average Rent Rising Almost 3 Percent YoY. (MREP)**

[M Report](#) (5/21, Welborn) says single-family rentals "continued to grow in March," with rents increasing 2.9 percent YoY, according to CoreLogic's SFR Index. March's growth was "propped up mainly by low-end rentals." Rents on "lower-priced rental homes" rose 3.5 percent YoY, while "rents for higher-priced homes...increased 2.4% year over year." Metros with the highest YoY rent growth in March included Phoenix (7.4%), Las Vegas (6.9%), and Tucson (6.3%). Miami "had the lowest rent growth" in March (0.4%), and "Houston and Miami had the largest deceleration in rent growth."

### **Report: Commercial Lenders May Be Holding More Real Estate Debt Than Previously Thought. (FORTUNE)**

[Fortune](#) (5/21, Mashayekhi, 3.91M) reports that a new study from real estate data firm CrediFi has found that U.S. lenders have “much greater risk exposure than publicly recognized” in the commercial real estate sector, leaving them vulnerable in the event of a market downturn. Specifically, a decline in commercial mortgage-backed security (CMBS) originations has left more risk on lenders’ balance sheets as they are unable to sell debt to the broader market. The report finds that “both banks and non-bank lenders have ‘particularly troubling exposure’ to certain ‘at-risk’ sectors, namely both retail and industrial lending.” Lenders counter that they have improved their underwriting standards and are well capitalized, mitigating risk and minimizing the impact should a downturn occur.

#### **Baby Boomers Skipping Downsizing, Staying In Their Homes. (USAT)**

[USA Today](#) (5/21, Davidson, 10.31M) reports “a growing number of aging baby boomers are saying, ‘No, thanks’ to downsizing, choosing instead to remain in the same sprawling houses in which they raised kids and created lifelong memories.” Many older Americans are moving to smaller homes, but “they’re doing so later in life.” This trend “is contributing to a housing supply shortage across much of the country.” Boomers are working longer and delaying retirement, and “there’s a dire shortage of less expensive entry-level houses across the country, pushing up prices in that category and making the trade-off less appealing.”

#### **Poll: Half Of Rural Americans Cannot Afford Unexpected Expense Of \$1,000. (HILL)**

[The Hill](#) (5/21, Budryk, 2.98M) reports that about “half of rural Americans said they could not afford an unexpected \$1,000 expense, according to research conducted by NPR.” Data indicate “40 percent of rural Americans struggle to pay routine expenses such as housing, food and medical bills, and 49 percent said they could not handle an unplanned \$1,000 bill.” Meanwhile, “more than 68 percent of black rural Americans and 62 percent of Latinos could not handle such an expense, compared to 45 percent of rural whites, according to the researchers.”

#### **Tozer: Budget Process To Blame For Ginnie Mae’s Staffing Issues. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/21, Brooks, Subscription Publication) reports Ginnie Mae’s staffing shortage is “forcing the agency to rely heavily on contractors to perform core functions like servicing, compliance and oversight – a problem a former head of the agency blames on the budget process.” Ted Tozer “said the government guarantor has evolved over the years,” but it “suffers from inadequate staffing due to its inability to pay individuals at competitive market rates, which causes it to rely on contractors for many of its functions.” A recent GAO report “found that Ginnie depends mostly on contractors largely because it has the authority to use its fee revenue to hire outside experts but must rely on appropriations from Congress to hire in-house staff.”

#### **Genworth: First-Time Buyers Driving Mortgage Market Thanks To Millennials, Post-Crisis Recovery. (MREP)**

[M Report](#) (5/21, Welborn) reports first-time homebuyers “make up 38 percent of single-family homebuyers and 57 percent of new purchase borrowers,” according to Genworth Mortgage Insurance’s “latest First-Time Homebuyer Market Report.” Since 2014, first-time buyers “have been the biggest contributors to home sales growth, while sales to repeat buyers has remained relatively flat.” According to Genworth, the “steady surge in first time homebuyers is due to both cyclical and demographic forces.” Genworth Chief Economist Tian Liu said, “The cyclical force is the unwinding of the Housing Crisis, which resulted in over three million potential first-time homebuyers delaying home purchase.” The demographic force is Millennials, Liu said.

#### **Some Banks Expanding Mortgage Lending As Many Others Pull Back. (AMBNKR)**

[American Banker](#) (5/21, Reosti, Subscription Publication, 31K) reports several banks “revved up efforts in mortgage lending, even as others have headed for the exits.” University Bancorp, Colony Bancorp, and KeyPoint Credit Union “are among the lenders that are either buying mortgage operations or hiring personnel,” at a time when “overall mortgage revenue is down, regulations are challenging, and nonbank competition continues to heat up.” According to the MBA, profit per loan fell to \$367 last year, half of the amount in the preceding year.

#### **Sources: Pretium Considering Buying Deephaven. (INSDMORTG)**

Behind a paywall, [Inside Mortgage Finance](#) (5/21, Muolo, Subscription Publication) reports the “on-again, off-again sale” of non-QM lender Deephaven Mortgage is “apparently on again, according to industry officials.” This time, the “interested buyer” is reportedly Pretium Partners, “a company that bills itself as an ‘alternative’ asset management firm, focusing on real estate, mortgages and corporate credits.” Sources were “unclear whether a deal would come to fruition but said talks between the two parties had occurred.”

#### **Finance Professor: Millennial Homeownership Lag Threatens GDP Growth, Home Price Appreciation. (CONVERSUS, BIZINDER)**

Writing for [The Conversation](#) (5/20, Lenz, 62K), University of South Carolina finance professor Jimmie Lenz says Millennial homeownership levels are “dramatically lower than those of previous generations at a similar age,” and this trend “puts a large sector of the US economy at risk.” According to him, “both increases and decreases in home prices can be directly tied to where

millennials choose to live. If a long-term behavioral change is afoot, and this generation continues not to buy homes, it will very directly impact GDP.” He concludes, “If you live in an area that is aging faster than the natural rate, the probability of your home value decreasing is very real.” [Business Insider](#) (5/21, 3.67M) carried Lenz’ piece.

Separately, [Business Insider](#) (5/21, Hoffower, 3.67M) reports a “recent INSIDER and Morning Consult survey” that “poled 4,400 Americans” found “several results that don’t paint a pretty picture of Millennials and their finances.” Many are “delaying homeownership,” not saving enough, and paying off student loans. But Millennial respondents were “mostly just dealing with the cards they’ve been dealt,” held back by the financial crisis, student loan debt, and a higher cost of living. Business Insider runs down some of the survey’s findings that indicated Millennials are suffering from financial circumstances they “didn’t create.”

### **Continuing Coverage: WSJ Says ‘Wave’ Of Millennial Homebuyers May Be Only ‘A Ripple.’ (HOUSEWR)**

[HousingWire](#) (5/21, Guerin, 23K) reports that “a number of industry players are banking on a coming wave of Millennial homebuyers” to “prop” the housing market back up. But “according to a recent article in The Wall Street Journal, those young buyers may never come knocking.” Despite reaching the age of homeownership, many millennials are still recovering from the recession, and heavily burdened by student debt. Additionally, many are delaying life milestones that traditionally accompany household formation. According to the Journal, “when it comes to the housing market, the Millennial buying wave may end up being little more than a ripple.”

### **Continuing Coverage: Forbes Piece Examines Factors Holding Back The Black Homeownership Rate. (DSN)**

[DS News](#) (5/21, Welborn) provides continuing coverage of “an article by economist John Wake in Forbes” which explored why the black homeownership rate is “not vastly different now than it was when the 1968 Fair Housing Act became law.” DS News adds that a “recent report by the Urban Institute suggested five possible solutions” to increase the black homeownership rate: “advancing policy solutions at a local level,” tackling “housing supply constraints and affordability,” promoting an “equitable and accessible housing finance system,” providing “outreach and counseling for renters and mortgage-ready millennials,” and focusing on “sustainable homeownership and preservation.”

## **REGULATORY NEWS**

### **HUD Secretary Defends Administration Proposal To Remove Illegal Aliens From Public Housing. (WP, FOX, HILL, POLITICO, USAT, TIME, MRKWTCH, NSWK, AMBNKR, CBSNEWS, MSNBC, HOUSEWR, BIZINDER, HUFFPOST)**

The [Washington Post](#) (5/21, Jan, 14.2M) reports on Tuesday, HUD Secretary Carson “defended the Trump administration’s proposal to purge undocumented immigrants – and their U.S.-born children – from government-subsidized housing, citing the years-long waiting list comprised of millions of ‘legal citizens.’” Carson said, “It seems only logical that tax-paying American citizens should be taken care of first.” The Post adds that Democrats on the House Financial Services Committee cited “an internal agency analysis that found it could put up to 55,000 children who are legal US residents or citizens at risk of eviction and homelessness.” Carson said the rule “provides a six-month deferral if they have not found another place to live,” which, he added, “could be renewed twice, for a total of 18 months.” Carson stated, “If in fact you want to explain to the American citizens who have been on the wait list for several years...why we should continue to support families who are not here legally, I would be happy to join you in explaining that.” [Fox News](#) (5/21, Miles, 27.59M) reports Carson also defended the decision in a segment with host Tucker Carlson.

[The Hill](#) (5/21, Lane, 2.98M) called it “a heated hearing” as Democrats “blasted” the proposal as “inhumane and ineffective.” Carson also said, “Until we’re willing collectively, both Democrats and Republicans, to sit down and solve the problem, we’re going to continue to have these problems pop up.” [Politico](#) (5/21, O’Donnell, 4.29M) reports HFSC Chairwoman Waters “ripped into” Carson, calling the plan to restrict undocumented immigrants’ access to subsidized housing a “cruel proposal.” Waters also called HUD’s planned reduction in rental assistance an “outrageous plan,” and said that under Carson, HUD is “actively causing harm.”

**Carson, Asked About REO, Responds With Oreos.** [USA Today](#) (5/21, Wu, 10.31M) reports in one exchange, Rep. Katie Porter (D-CA) was “attempting to ask Secretary Carson about disparities in REO rates,” citing data indicating that FHA loans have “far more properties” that become REO than do loans from the GSEs. Porter asked Carson to “explain the disparity in REO rates,” adding, “Do you know what an REO is?” Carson replied, “An Oreo...” Following the hearing, Carson “[tweeted](#) a picture of himself sending a pack of ‘Double Stuf’ Oreos to Porter.” Providing additional coverage of the exchange are [TIME](#) (5/21, 18.47M), [MarketWatch](#) (5/21, Schroeder, 1.67M), [Newsweek](#) (5/21, 1.53M), [American Banker](#) (5/21, Subscription Publication, 31K), [CBS News](#) (5/21, Tillett, 3.68M), [The Hill](#) (5/21, Rodrigo, 2.98M), [MSNBC](#) (5/21, 7.86M), [HousingWire](#) (5/21, Lane, 23K), [Business Insider](#) (5/21, Perticone, 3.67M), and the [HuffPost](#) (5/21, 1.67M).

### **NAHB Urges Trump To Remove Lumber Tariffs To Promote Housing Affordability. (HOUSEWR)**



[HousingWire](#) (5/21, Howley, 23K) reports, "After President Donald Trump announced at the National Association of Realtors convention on Friday that he was lifting aluminum and steel tariffs on Canada and Mexico, the National Association of Home Builders asked: What about lumber?" NAHB Chairman Greg Ugalde said trade disputes with Canada are "needlessly driving up housing costs." He added, "A prompt resolution to this ongoing trade conflict with our neighbor to the north will help to ease ongoing housing affordability concerns."

#### **OCC, Treasury, FBI Push For Centralized Database For Beneficial Ownership Info. (BLOOMLAW, AMBNKR, LAW360)**

[Bloomberg Law](#) (5/21, Rund, Subscription Publication, 4K) reports behind a paywall, "Senate Banking Committee members questioned leaders of the Treasury Department, FBI and Office of the Comptroller of the Currency May 21 on the direction Congress should take with legislation requiring beneficial ownership disclosure." The bank regulators and law enforcement officials "ask[ed] Congress for a 'one-stop shop' for accessing data on the true owners of opaque shell companies, and signaled they are flexible about how the information is gathered."

[American Banker](#) (5/21, Haggerty, Subscription Publication, 31K) reports OCC Senior Deputy Comptroller for Bank Supervision Policy Grovetta Gardineer said, "One suggestion is for Congress to establish a consistent, nationwide requirement that legal entities provide and update accurate beneficial ownership information. ... Alternatively, Congress could consider creating a centralized database for the maintenance of the beneficial ownership information." FinCEN Director Kenneth Blanco "said he would be open to having that repository at Fincen, as long as the agency is 'resourced appropriately to take in that new data.'" According to [American Banker](#), "Deutsche Bank's alleged failure to submit suspicious activity reports on transactions by companies associated with President Trump and son-in-law Jared Kushner loomed over" the hearing. Democrats pressed regulators to investigate the bank's risk management and internal controls after a New York Times piece "said senior bank executives had squashed SARs prepared by compliance staff related to Kushner Companies, the Trump Foundation and other entities."

Behind a paywall, [Law360](#) (5/21, Noon, Subscription Publication, 8K) also reports.

#### **Editorial Blasts Administration's 'Family Separation 2.0' Policy. (WP)**

The [Washington Post](#) (5/21, 14.2M) says in an editorial that President Trump's "Family Separation 2.0" policy "targets households of mixed-immigration-status families who receive federal housing subsidies," which "would leave mixed-status families with the choice of breaking apart or becoming homeless." HUD Secretary Carson, "whose mission includes combating homelessness, signed off on the proposal, even as his own department warned of the effects." The Post says the plan "encapsulates the administration's approach to illegal immigrants. It seeks to make their lives miserable, specifically targeting children."

## **BANK INDUSTRY NEWS**

#### **Tarullo: Fed's Changes To Stress Testing Could Inhibit Banks' Resiliency. (AMBNKR)**

[American Banker](#) (5/21, Heltman, Subscription Publication, 31K) reports former Federal Reserve Gov. Daniel Tarullo "broke his silence" over "several recent proposals" to "revamp regulations put in place in the wake of the financial crisis, saying incremental reductions in capital and other changes could reduce the financial system's resiliency." On Tuesday, Tarullo said, "I don't at all think that the state of regulation when I left the Fed ... was the best it can be. But we had made considerable progress enhancing the resiliency of these largest banks, and at least putting a sizeable dent in the Too Big to Fail concern. Unfortunately, I feel that a good bit of that progress could be endangered by a kind of low-intensity deregulation, consisting of an accumulation of non-headline-grabbing changes and an opaque relaxation of supervisory rigor." He added, "If the stress test becomes predictable, it ceases to have value."

#### **Next Wells Fargo CEO Must Submit Fingerprints, Tax Records To The OCC. (REU)**

[Reuters](#) (5/21, Schroeder) reports Wells Fargo's next CEO "will go through a vetting process that could rival that of top US government officials." Comptroller of the Currency Joseph Otting "said last week he would invoke a little-known law to review Wells Fargo's board pick to replace Tim Sloan." The law "allows regulators to vet and veto candidates for senior roles at banks, but that power is typically reserved for financially troubled firms." Regulatory sources said the OCC's review was so unusual, because Wells Fargo is so big and financially sound. The CEO candidate "must complete a 17-page document detailing their work history, qualifications, finances and business dealings," and they must "agree to hand over their tax records, provide copies of their fingerprints and possibly submit to a background check, according to public OCC documents." Otting will retain some discretion, however, with regard to how far the agency goes in digging into the candidate's background.

#### **BofA Closes Branches Amid Rise In Mobile, Online Banking. (ZACKINV)**

[Zacks Investment Research](#) (5/22, 96K) reports that over the last few weeks, Bank of America "has been announcing closure of its financial centers." The bank recently informed the OCC that it plans to close branches in Washington, Henderson, Highlands, and Marion. Four branches in rural North Carolina will be shuttered, as well as nearly all financial centers in Kansas, Illinois, and Arizona. Notably, all employees of these branches "are being offered jobs elsewhere within the



bank.” According to Bank of America spokesperson Jennifer Darwin, the primary reason for closing the bank’s branch network is “shift in how our clients are banking.” The increased use of mobile devices and online banking for basic banking transactions has lowered the financial viability of these branches.

#### **Trump’s Lawyers To Argue For Injunction On Bank Subpoenas Wednesday. (NYPOST)**

The [New York Post](#) (5/21, Denney, 4.57M) reports, “Lawyers for President Trump will appear before a Manhattan judge Wednesday to argue that House Democrats shouldn’t be allowed to get their hands on the Commander in Chief’s financial records through a subpoena.” Trump is suing Capital One and Deutsche Bank “to stop them from complying with congressional subpoenas issued to obtain the president’s financial records.” Trump’s lawyers “will appear before District Judge Edgardo Ramos in Manhattan federal court to argue for an injunction on the banks.” The hearing comes “just two days after District Judge Amit Mehta of the DC federal court found that a House committee has the authority to issue a subpoena to accounting firm Mazars...to hand over the President’s financial statements dating back to 2011.”

#### **JPMorgan Shareholders Approve Dimon’s Pay, But With Fewer Votes Than Last Year. (REU, WSJ, BLOOM)**

[Reuters](#) (5/21, Dilts, Scuffham) reports JPMorgan Chase said Tuesday that 72 percent of shareholder votes approved CEO Jamie Dimon’s 2018 compensation of \$31 million, as well as the pay of four other executive officers, “marking unusual opposition to pay for the bank’s top leaders.” Around 93 percent of investors supported the bank’s executive pay last year. ISS, the influential proxy advisory group, “urged investors to vote against the bank’s executive pay packages in a report published earlier this month because it objected to the portion of pay that was discretionary.”

Although ISS’ effort was unsuccessful, The [Wall Street Journal](#) (5/21, Benoit, Subscription Publication, 7.57M) reports the advisory group appeared to convince about 20 percent of shareholders to vote against the executive pay, a person familiar with the tally said. At the meeting, shareholders re-elected all of JPMorgan’s directors, with more than 81 percent of shares for each.

[Bloomberg](#) (5/21, 4.73M) reports also at Tuesday’s meeting, Wells Fargo banking analyst Mike Mayo asked Dimon about JPMorgan’s leadership succession plan. JPMorgan suffers from “key-man risk,” Mayo said. Dimon responded that when he is gone, “there are several” people at the bank who could run the company, adding, “Our bigger fear is they get recruited away by somebody else.”

#### **Judge To Hear Oral Arguments Thursday Over Wells Fargo Loan Relief Glitch. (REU)**

[Reuters](#) (5/21, Aubin) reports, “A federal judge in San Francisco on Thursday will consider whether hundreds of homeowners can pursue a lawsuit accusing Wells Fargo of foreclosing on them because of a computer glitch they blame on the bank’s lax oversight.” At the hearing, US District Judge William Alsup “will hear oral arguments on Wells Fargo’s motion to dismiss the lawsuit on the grounds that the affected homeowners defaulted on their mortgages, giving the bank the absolute right to foreclose on their homes.”

#### **BankThink: BB&T CEO Not Taking Advantage Of Opportunity To Refocus On Community. (AMBNKR)**

Faith Bautista writes in an op-ed for [American Banker](#) (5/21, Bautista, Subscription Publication, 31K) that BB&T CEO Kelly King “has the opportunity to refocus the bank’s efforts on community development as it merges with SunTrust.” Bautista writes that “King is a good man who has a chance to lead, [and] to set a new path for the banking industry and to change the way large banks engage with the communities they serve.” But BB&T hasn’t made efforts to release a post-merger community development plan, Bautista says, which regulators and the public could use to hold the merged entity accountable. Bautista concludes that King “has yet to differentiate himself from the failed tactics to deal with the community that were deployed by [Wells Fargo CEO] Tim Sloan.”

#### **Additional Reading. (AMBNKR)**

- **How will the next generation of women lead?** [American Banker](#) (5/21, Subscription Publication, 31K)
- **Stock buybacks are surging, but for how long?** [American Banker](#) (5/21, Subscription Publication, 31K)
- **This fintech says it can help financial advisers take on banks.** [American Banker](#) (5/21, Subscription Publication, 31K)
- **Small-business fintech launches lending platform for banks.** [American Banker](#) (5/21, Subscription Publication, 31K)
- **Vernon Hill survives proxy challenge at Metro Bank in UK.** [American Banker](#) (5/21, Subscription Publication, 31K)
- **Citizens in Mississippi adds to Gulf Coast operations with latest deal.** [American Banker](#) (5/21, Subscription Publication, 31K)
- **PayPal-backed German fintech wants to improve Americans’ returns.** [American Banker](#) (5/21, Subscription Publication, 31K)

- **First Internet to buy SBA platform from Colorado bank.** [American Banker](#) (5/21, Subscription Publication, 31K)
- **Podcast: What does it take to get consumers to switch banks?** [American Banker](#) (5/21, Subscription Publication, 31K)

## TOP TREASURY NEWS

### **Administration, Congressional Leaders Report "Progress" In Budget Meeting. (AP, CQRC, POLITICO, WP, HILL, REU, WT, CNN)**

The [AP](#) (5/21, Taylor) reports House Minority Leader McCarthy "says congressional negotiators are making progress on two must-do items on the legislative agenda: averting automatic budget cuts and meeting a deadline later this year to increase the government's borrowing limit." The meeting included Treasury Secretary Steven Mnuchin and the top four leaders of Congress on the topics." Senate Majority Leader Mitch McConnell (R-KY) "went out of his way to say Mnuchin is taking the lead for the administration rather than" acting Chief Of Staff Mick Mulvaney or "hard-line White House budget director Russell Vought." He said, "I'm hopeful and optimistic that the secretary of the Treasury speaks for the president in these discussions and we hopefully soon will reach an agreement."

[CQ Roll Call](#) (5/21, Shutt, 154K) also reports, "Congressional leaders and top Trump administration officials made 'progress' toward a spending caps and debt limit agreement," and [Politico](#) (5/21, Everett, Caygle, Bresnahan, 4.29M) that they "began working quickly Tuesday to cut a two-year budget deal to avoid blunt spending cuts and a potential debt default, a surprisingly positive development amid unending gridlock." The [Washington Post](#) (5/21, Werner, Paletta, 14.2M) likewise refers to the development as "a potential bipartisan breakthrough following months of acrimony and standoffs" – one that "would ratchet back budget brinkmanship for the remainder of President Trump's first term in office, offering Congress and the White House a fresh start after Trump pushed the nation into a record-long 35-day government shutdown this past winter."

[The Hill](#) (5/21, Bolton, Elis, 2.98M) indicates "Congressional leaders met with senior White House officials for more than two hours" in House Speaker Pelosi's office on Tuesday morning. The meeting included Pelosi, Senate Majority Leader McConnell, Senate Minority Leader Schumer, McCarthy, Acting Chief of Staff Mulvaney, Acting White House Budget Director Russ Vought, Mnuchin, and Acting DHS Secretary McAleenan. [Reuters](#) (5/21, Cowan) quotes McConnell as saying, "The agreement would be a two-year caps deal, which would allow us to go forward with some semblance at least of a regular appropriations process. It would also in all likelihood include the debt ceiling."

The [Washington Times](#) (5/21, Dinan, 492K) notes McConnell also "said he's convinced President Trump will bless whatever agreement emerges." Added McConnell, "A negotiated agreement with the House Democrats is the best of three alternatives." Schumer "agreed the negotiations have been 'serious,' but said he wants the president to give a very overt blessing to whatever deal the leaders make."

[The Hill](#) (5/21, Bolton, Elis, 2.98M) reports House Budget Committee Chairman John Yarmuth (D-KY), "who was briefed on the meeting, said that as far as he knew, nobody was opposed to raising the debt ceiling." He stated, "I know Mnuchin wants it, and we certainly want it," referring to inclusion of a debt-ceiling increase in a spending deal.

[Politico](#) (5/21, Everett, Caygle, Bresnahan, 4.29M) reports Mulvaney and Vought "have generally been fiscal hard-liners, but Mnuchin has been deputized to lead the negotiations with the congressional leaders, much to the delight of the Hill honchos." The piece adds that Mnuchin "appeared to be trying to clinch a deal on Tuesday, a sign of how urgent the discussions are, said one source familiar with the meeting."

[Reuters](#) (5/21, Cowan) reports "failure to reach a bipartisan deal on spending could set up another showdown between Congress and the White House in September like the ones late last year and early this year that resulted in partial government shutdowns." In addition, "without legislation to extend Treasury's borrowing authority, Washington would be flirting with a U.S. default on its debt, which would shake global financial markets."

Also covering the topic are [Reuters](#) (5/21, Cowan), [The Hill](#) (5/21, Bolton, Elis, 2.98M), [CNN](#) (5/21, Barrett, Foran, 83.16M), and [CQ Roll Call](#) (5/21, Shutt, 154K).

### **Draft IRS Memo Contradicts Administration Reasons Denying Congress Trump's Returns. (WP, NYT, BLMTAX, DAYBEST, HILL, AXIOS, FOX, CNN, VOX, SLATEMAG, FT, MSNBC)**

The [Washington Post](#) (5/21, Stein, Dawsey, 14.2M) cites a "confidential" IRS legal memo that it says "contradicts the Trump administration's justification for denying lawmakers' request for President Trump's tax returns." According to the Post, the memo "says tax returns must be given to Congress unless the president takes the rare step of asserting executive privilege." Treasury Secretary Steven Mnuchin "denied the returns by arguing there is no legislative purpose for demanding them." However, the memo says the law "does not allow the Secretary to exercise discretion in disclosing the information provided the statutory conditions are met." The Post adds that it "directly rejects the reason that Mnuchin has cited for withholding the information." It says, "[T]he Secretary's obligation to disclose return and return information would not be affected by the failure of a tax writing committee ... to state a reason for the request." Mnuchin "and other senior staff members never reviewed the IRS memo, according to a Treasury spokesman."

However, the spokesman "said it did not undermine the department's argument that handing over the president's tax returns would run afoul of the Constitution's mandate that information given to Congress must pertain to legislative issues." The spokesman also "said the secretary is following a legal analysis from the Justice Department that he 'may not produce the requested private tax return information.'"

The [New York Times](#) (5/21, Rappeport, 18.61M) says the memo "appears to undercut the reasoning offered by...Mnuchin." He "said he made his decision after consulting with lawyers from the Treasury Department, the I.R.S. and the Justice Department." The piece notes an IRS spokesman "said that the draft memo was written last fall and that the current I.R.S. commissioner, Charles P. Rettig, and its chief counsel, Michael Desmond, were not aware of it until this week. The memo was not sent to the Treasury Department." IRS spokesman Bruce Friedland said, "The memo in question is a draft background paper that was never finalized. It is not the official position of the I.R.S." The Times adds that Mnuchin is "expected to testify on Wednesday morning before the House Financial Services Committee and is likely to be grilled by Democrats about the decision not to hand over the returns."

Also covering the Washington Post report are [Bloomberg Tax](#) (5/22), The [Daily Beast](#) (5/21, 1.39M), [The Hill](#) (5/21, Jagoda, 2.98M), [Axios](#) (5/21, Sukin, 521K), [Fox News](#) (5/22, Mikelionis, 27.59M), [CNN](#) (5/21, Kelly, 83.16M), [Vox](#) (5/21, 2.27M), and [Slate](#) (5/21, Hannon, 1.58M).

[The Hill](#) (5/21, Frazin, 2.98M) and The [Financial Times](#) (5/21, Weaver, Subscription Publication, 1.34M) also cover the topic of Trump's tax returns. [The Hill](#) (5/21, Wong, 2.98M) reports Rep. Don Beyer (D-VA) said regarding potential impeachment proceedings, "For me the final two straws were Don McGahn refusing to come forward after a perfectly reasonable request for him to appear and then [Treasury Secretary Steven] Mnuchin writing us back saying he's not going to honor the subpoena on Trump's tax returns when the law is crystal clear."

Rep. Lloyd Doggett was interviewed on [MSNBC](#) (5/21, 7.86M) "about what steps Congress is prepared to take to enforce subpoenas that are being ignored routinely by the Trump administration." He discussed possible "fines or confinement" for Mnuchin and Rettig

#### **Democrats Push Treasury's Blanco To Take Action On NYTimes Deutsche Bank Story. (POLITICO, AMBNKR)**

[Politico](#) (5/21, Warmbrodt, 4.29M) reports Democrats on the Senate Banking Committee on Tuesday "hammered" Kenneth Blanco, director of Treasury's FinCEN, over a "bombshell" New York Times [report](#) "that Deutsche Bank resisted reporting suspicious financial activity tied to...Trump and his son-in-law Jared Kushner, whose companies were clients of the German lender." Politico says that "one after another," Democrats urged Blanco "to take action," but "despite the pummeling by Democrats – not a single Republican at the hearing brought up Deutsche Bank – Blanco said he was unable to comment on allegations made in the story, which he said he had been briefed on but had not read." Blanco "suggested that the bank might have been comfortable with the risks it was taking with Trump," stating, "Everything is fact-specific. At the end of the day, it could be quite appropriate."

[American Banker](#) (5/21, Subscription Publication, 31K) reports when asked by Sen. Sherrod Brown (D-OH) "whether he was aware of the transactions at Deutsche Bank, he said he would not comment on whether Fincen is investigating." Blanco stated: "I'm not telling you I'm going to look at it, I'm not telling you I'm looking at it now, I'm not telling you I won't look at it. I've read the information, Senator, and we'll take whatever appropriate action needs to be taken, if action needs to be taken at all. I'm not going to say whether we're doing something or not. I think that would be inappropriate. I think that's unfair to the individuals. I think it's unfair to the institution."

#### **Trump Nominates McIntosh For Treasury International Affairs Role. (BLOOM, WSJ)**

[Bloomberg](#) (5/21, Mohsin, 4.73M) reports President Trump plans to nominate Brent McIntosh, the Treasury Department's general counsel, "to become the department's undersecretary for international affairs, the White House said Monday." If confirmed by the Senate, McIntosh "would replace David Malpass, who left in April to lead the World Bank. McIntosh would work with governments and financial institutions to support the department's work on international monetary policy and trade, amid a stalemate in negotiations with China." The piece explains that he has "played a key role in guiding Secretary Steven Mnuchin through a legal battle with House Democrats over Trump's tax returns." President Trump also plans to elevate Brian Callanan, "currently deputy general counsel at Treasury, to replace McIntosh." Heath Tarbert, an assistant secretary at Treasury, "has been serving as undersecretary for international affairs in an acting capacity."

The [Wall Street Journal](#) (5/21, Davidson, Subscription Publication, 7.57M) notes that McIntosh will join several Treasury officials whose nominations are pending before the Senate. Geoffrey Okamoto, who was previously deputy assistant secretary for international finance, has effectively been filling the role of assistant secretary since his nomination in January. Brian McGuire, nominated earlier this year to be a deputy under secretary for legislative affairs, came to the Department in January as a counselor. The piece adds that Michael Faulkender, nominated last year be assistant secretary for economic policy, and Bimal Patel, nominated to be assistant secretary for financial institutions, are also awaiting Senate confirmation. At the same time, Treasury Secretary Steven Mnuchin has lost several top deputies in recent months.

**Sources: Trump Delayed Action Against Huawei Until China Trade Talks Stalled. (BLOOM, FOX, AP, REU, WSJ, NYT, WP, BLMOPIN, NYPOST, FT)**

[Bloomberg](#) (5/21, Leonard, Wadhams, Talev, 4.73M) reports the Administration "held off on blacklisting Huawei Technologies Co. out of concern the move could disrupt trade negotiations with China and only took action after the last round of talks hit an impasse, according to people familiar with the matter." The sources said plans to target Huawei over security concerns "had been on the table for months and included possibly subjecting Huawei to economic sanctions," but the decision to take action "unfolded quickly once trade talks broke down, setting off a scramble to implement the measures, the people said."

**Chinese Envoy: US Accusations "Without Any Foundation."** Chinese Ambassador to the US Cui Tiankai said on [Fox News' Special Report](#) (5/21, 2.21M) that the Administration's accusations against Huawei "are without any foundation and evidence. It is rather ironic, people who are making these accusations are exactly the group of people who have such job description." Tiankai added, "Everybody knows Huawei is a privately owned company. It is just a normal Chinese product company. All these actions taken against them are politically motivated. These accusations are nowhere there. We're very worried, such actions will undermine people's confidence in the normal function of the market."

**Huawei Founder Says US Will Not Harm Company.** The [AP](#) (5/21, McDonald) reports Ren Zhengfei, "the founder of Huawei expressed confidence Washington's curbs on sales to the Chinese tech giant will have little impact and said Tuesday it is discussing 'emergency relief' from Google for possible loss of services for its smartphone business."

[Reuters](#) (5/21, Sytas) reports Ren is "a former officer in...the People's Liberation Army," but the company says, "We have never been asked to cooperate with spying and we would refuse to do so under any circumstance." Reuters adds, "So far, America hasn't publicly produced hard evidence that Huawei equipment has been used for spying."

The [Wall Street Journal](#) (5/21, Peker, Strumpf, Subscription Publication, 7.57M) reports Huawei has accused the US of being a bully in its efforts to convince European countries not to follow the US in its efforts to restrict the company from advanced networks. A second [Wall Street Journal](#) (5/21, Fitch, Subscription Publication, 7.57M) report says the US has also sharply slowed approvals for the nation's semiconductor companies to hire Chinese nationals for advanced engineering jobs, according to industry sources.

Charles Lane of the Washington Post said on [Fox News' Special Report](#) (5/21, 2.21M), "I don't disagree with him that a lot of people are worried about the impact this will have on global commerce, but I do think he wasn't being entirely candid about the relationship between the Chinese government and Huawei."

**NYTimes Analysis: US Targeting Chinese Weakness.** The [New York Times](#) (5/21, Zhong, 18.61M) reports, "China imported more than \$300 billion worth of computer chips," last year, "more than it spent on crude oil from abroad." The Times adds, "Washington has now turned China's reliance on American microchips against Huawei." The Times says the US move "strikes at a national soft spot for China that has weighed on the minds of the country's leaders for decades."

**Administration Considering Blacklisting Of Chinese Surveillance Technology Firm.** The [New York Times](#) (5/21, Swanson, Wong, 18.61M) reports the Administration is "considering limits to a Chinese video surveillance giant's ability to buy American technology, people familiar with the matter said." The Times says the move "would effectively place the company, Hikvision, on a United States blacklist. It also would mark the first time the Trump administration punished a Chinese company for its role in the surveillance and mass detention of Uighurs." The move, however, is likely to "inflare the tensions that have escalated in President Trump's renewed trade war with Chinese leaders." The piece adds that the Administration is "also considering imposing sanctions on specific Chinese officials known to play critical roles in the surveillance and detention system in Xinjiang." The State Department and White House National Security Council "support imposing the sanctions, but officials at the Treasury Department have pushed back, citing a desire not to upset the trade talks, even though those have bogged down." Treasury Secretary Steven Mnuchin "has advocated maintaining strong business ties with China."

The [Wall Street Journal](#) (5/21, Maltais, Subscription Publication, 7.57M) reports last week, Mnuchin said US officials will likely travel to Beijing soon to restart negotiations, but China's Commerce Ministry denied knowing about any such plans. The [Washington Post](#) (5/21, Alemany, 14.2M) similarly says Beijing has "denied knowing anything about Treasury Secretary Mnuchin's stated desire to come to China to resume negotiations."

[Bloomberg](#) (5/22, 4.73M) and [Bloomberg Opinion](#) (5/22) also cover the topic of potential new sanctions.

**WPost Analysis: McCarthy Blocked Limits On Chinese Involvement In US Transit To Benefit District.** The [Washington Post](#) (5/21, Paletta, Werner, 14.2M) reports House Minority Leader McCarthy "blocked a bipartisan attempt to limit Chinese companies from contracting with US transit systems, a move that benefited a Chinese government-backed manufacturer with a plant in his district." The company in question is BYD Motors, which "makes electric buses that are often used by local governments."

**Xi Tells China To Prepare For Long Trade War With US.** The [New York Post](#) (5/21, Fredericks, 4.57M) reports Chinese President Xi Jinping, "in his first domestic tour since a trade war broke out with the Trump administration, has told his people that they should be prepared for a long battle with the US." He said, "We are here at the starting point of the Long March to remember the time when the Red Army began its journey. We are now embarking on a new Long March, and we must start all over again!" [Reuters](#) (5/21, Lawder, Martina) reports China is "ready to resume trade talks with Washington, China's ambassador to the United States Cui Tiankai said, as a top U.S. business lobby in China said nearly half its members are seeing non-tariff barrier



retaliation in China due to the trade war.” The [Financial Times](#) (5/21, Wolf, Subscription Publication, 1.34M) also covers the topic.

**Sources: Administration Vetting “Longtime Fed Critic” Shelton For Board Seat. (NYT, WSJ, CNBC)**

The [New York Times](#) (5/21, Smialek, 18.61M) reports that, according to “people familiar with the matter,” the Trump Administration is vetting conservative economist and “longtime Fed critic” Judy Shelton for a seat on the Federal Reserve Board. According to the article, Shelton “was recently interviewed by Larry Kudlow, the director of the National Economic Council, but has yet to meet with President Trump” on the matter. The Times says “she has regularly praised Mr. Trump’s economic policies, and now favors near-zero interest rates, a position likely to curry favor with a president who has called the central bank the ‘biggest risk’ to the economy.” The piece notes Shelton “began advising Mr. Trump’s campaign in August 2016, after she penned a Wall Street Journal opinion piece.” Steven Mnuchin, now the Treasury secretary, “called and asked her to join the cause, she said. She went on to work on the Trump transition team in a Treasury role.” The [Wall Street Journal](#) (5/21, Timiraos, Subscription Publication, 7.57M) and [CNBC](#) (5/21, Cox, 3.62M) also profile Shelton.

**US Companies With Foreign Affiliates Should Note Treasury’s OFAC Settlement. (LAW360)**

[Law360](#) (5/21, Subscription Publication, 8K) reports in continuing coverage behind a paywall that the Treasury Department’s Office of Foreign Assets Control “recently provided new guidance on what compliance measures it expects from U.S. companies with foreign affiliates.”

**US Preparing Charges, Sanctions Over Venezuela’s Food-Aid Program. (WSJ, REU, NYT)**

The [Wall Street Journal](#) (5/21, A1, Talley, Viswanatha, Vyas, Subscription Publication, 7.57M) reports the US preparing measures ranging from criminal charges to sanctions against people it believes to be involved in Venezuela’s military-run food-aid program, according to US officials. The officials describe the moves as part of an effort to target what they say is a large-scale money-laundering operation run by the government. Through the alleged money-laundering networks, some of the people amassed large amounts of money in overseas accounts and assets, according to a senior Treasury official. The piece notes State Department, Treasury, and law enforcement officials have been traveling around the globe looking to seize assets they argue should be in the hands of Juan Guaidó. Officials in the Maduro government “are using the CLAP program to steal from it, launder money, and for political control” said the senior Treasury official. Another official, Sigal Mandelker, Treasury’s undersecretary for sanctions, said, “Corrupt Maduro insiders continue to seek illicit revenue streams, even as the Venezuelan people and economy sink deeper into despair. We are alerting financial institutions the Maduro regime is using sophisticated schemes, including the diversion of humanitarian assistance, to evade sanctions and maintain its grip on power.”

[Reuters](#) (5/21, Spetalnick) also reports, noting multiple US government agencies, “including the National Security Council and the Treasury, State and Justice Departments, are involved in the effort,” according to sources.

**Opposition Considers Negotiating With Maduro.** The [New York Times](#) (5/21, Kurmanaev, 18.61M) reports that three weeks after interim President Juan Guaidó called for a military uprising against President Nicolás Maduro, Guaidó is “shuttling among a half-dozen safe houses to escape capture.” Most of the men who stood with him, as well as many of the legislators who support him, “are in jail or sheltering in foreign embassies.” With protests also dwindling, the Times says “Guaidó has been forced to consider negotiations with Mr. Maduro. Both sides have sent representatives to Norway for talks, a concession Mr. Guaidó previously rejected.” To the Times, this marks “a turning point for the opposition” and is “a testament to Mr. Maduro’s firm hold on power even as the country crumbles around him.”

**Turkey Preparing For Possible US Sanctions Over Missile Defense Systems. (REU)**

[Reuters](#) (5/22, Coskun) reports Turkey’s defense minister “said it was preparing for potential U.S. sanctions over its purchase of Russian S-400 missile defense systems, even while he said there was some improvement in talks with the United States over buying F-35 fighter jets.” The piece explains that Turkey and the US “have been at odds on several fronts including Ankara’s decision to buy the S-400s, which cannot be integrated into NATO systems.” Reuters adds that, “while Washington has warned that Ankara faced sanctions under its Countering America’s Adversaries Through Sanctions Act (CAATSA) if it presses on with the deal, Turkey has said it expected U.S. President Donald Trump to protect it.”

**Drop In IRS Tax Collectors Could Make It Easier For Businesses To Cheat. (BLMTAX, MRKWTWCH)**

[Bloomberg Tax](#) (5/21) reports, “Budget constraints have caused the IRS to cut back on an important category of employees: the people who actually collect tax from delinquent individuals and businesses.” The piece explains that the number of “revenue officers” dropped to 3,028 in 2018 “from 5,922 in 2010 – an approximate 49% decrease – according to the agency’s Data Book for fiscal year 2018.” Bloomberg says this drop “has a real effect on the Internal Revenue Service’s ability to crack down on businesses that are cheating the system by pocketing the money they withhold from employees’ paychecks.” The piece adds that, “historically, that has been one of the



agency's first collection priorities and one of the easiest to monitor."

[MarketWatch](#) (5/21, Keshner, 1.67M) reports "new IRS data reveals about taxpayer attitudes on when it's ever acceptable to cheat on income taxes. Fewer Americans think it's unacceptable to cheat on taxes." The piece explains that "the overwhelming majority of taxpayers still say there's no excuse to misstate even a penny on their returns – but there's been some slippage...according to new information from the Internal Revenue Service." In data for fiscal year 2018, "85% of people said no amount of cheating was permissible, down from 88% from the previous year."

## TOP ECONOMIC NEWS

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### Treasury Yields Drop Slightly. (BLOOM)

[Bloomberg](#) (5/21, 4.73M) reports the yield on 10-year Treasuries "declined one basis point to 2.42%" as of 8:11 a.m. in London.

### Dollar Remains Steady. (REU)

[Reuters](#) (5/22, Leussink) reports, "The dollar largely kept to familiar trading ranges on Wednesday, as it found support near a 3-1/2-week high on higher US yields after the United States eased trade restrictions on Chinese telecommunications equipment maker Huawei Technologies." The dollar index against major rivals "was largely steady at 98.031, having brushed a 3-1/2-week high of 98.134 overnight." Against the yen, the dollar "was largely steady at 110.49 yen, after hitting a two-week high of 110.675 during the previous session." Meanwhile, the euro "was steady at \$1.1162."

### Gold Holds Near Two-Week Low. (REUUK)

[Reuters \(UK\)](#) (5/21) reports, "Gold steadied on Wednesday after falling to a more than two-week low in the previous session, as a stronger dollar dented demand for bullion ahead of the release of minutes from the US Federal Reserve's latest meeting." Spot gold "edged down 0.1% to \$1,273.96 per ounce at 0114 GMT. In the previous session the metal fell to \$1,268.97, its lowest since May 3." Meanwhile, US gold futures "were unchanged at \$1,273.60 an ounce."

### Oil Falls. (REU)

[Reuters](#) (5/22, Sheldrick, Gloystein) reports, "Oil prices fell on Wednesday after industry data showed an increase in US crude inventories and as Saudi Arabia pledged to keep markets balanced." Brent crude futures "were down 39 cents, or 0.5 percent, at \$71.79 at barrel by 0658 GMT." West Texas Intermediate "crude futures for July delivery were down 59 cents, or 0.9 percent, at \$62.54. The June contract expired on Tuesday, settling at \$62.99 a barrel, down 11 cents."

### Stocks Rise After Huawei Restrictions Temporarily Eased. (REU)

[Reuters](#) (5/21, Joyner) reports stocks rose Tuesday after the US granted Huawei a license to buy US goods through August 19. The license "temporarily eased curbs" on Huawei, which President Trump added to a trade blacklist last week. However, Reuters reports that, "Even with Tuesday's gains, the S&P 500 is still on track to post its first monthly decline of the year."

## THE BIG PICTURE

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### Headlines From Today's Front Pages.

#### **Wall Street Journal:**

[U.S. Slows Hiring Of Chinese Nationals By Chip Makers](#)

[U.S. Prepares Charges, Sanctions Over Venezuela's Food-Aid Program](#)

[Big Retailers' Sales Lag As They Gird For Tariffs](#)

[Many More Students, Especially The Affluent, Get Extra Time To Take The SAT](#)

[In Mindful Knitting, It's The Journey, Not The Scarf](#)

#### **New York Times:**

[Trump Administration Could Blacklist Chinese Surveillance Technology Firm](#)

[Democratic Calls For Impeachment Inquiry Grow As Leaders Instead Vow To Toughen Tactics](#)

[Deflated, Venezuela's Opposition Considers Negotiating With Maduro](#)

[John Walker Lindh, Known As The 'American Taliban,' Is Set To Leave Federal Prison This Week](#)

[Both Parents Are American. The U.S. Says Their Baby Isn't.](#)

[How Trump Is Outspending Every 2020 Democrat On Facebook](#)

#### **Washington Post:**

[On Iran, Tensions Rise And Divide](#)

[McCarthy Aided Calif. Firm Linked To China](#)

[Gregory Takes Helm At D.C. Archdiocese](#)

[The Activist Behind The Push To Reshape U.S. Courts](#)

[Trump Taps Va. Firebrand For Czar On Immigration](#)

[IRS Memo Sides With Congress On Returns](#)

### **Financial Times:**

[Indonesia's Prabowo To Challenge Widodo's Re-Election](#)  
[Theresa May Offers Vote On Second Brexit Referendum](#)  
[Football Chiefs Hit Out At Uefa's Champions League Plan](#)

### **Washington Times:**

[Nadler Fuming After McGahn Defies House Judiciary Committee Subpoena](#)  
[ICE Says Maryland County Released MS-13-Linked Illegal Immigrant Murder Suspects](#)  
[Republicans Put Democratic Governors On Hot Seat With Infanticide Bills](#)  
[Trump, Cabinet Shunned At College Graduations: 'The Campus Has Become Seriously Radicalized'](#)  
[Tunnel Vision: Financial Guru Bullish On Massive Project Stifled By North Korea's Nuclear Crisis](#)  
['New Era': Far-Right Populists Surge In Polls Ahead Of EU Parliament Elections](#)

### **Story Lineup From Last Night's Network News:**

**ABC:** Severe Weather; Oklahoma-New Footage Of Shooter In Restaurant; Alaska-Second Seaplane Crash; Russian Aircraft Intercepted; House Dems-Subpoenas; McDonald's Corporation-Sexual Misconduct Lawsuits; Abortion Rights Protests; Long Island-Great White Shark; British Columbia-American Children Stranded; Texas-Deputy Almost Hit By Train; Aretha Franklin-Handwritten Wills Found; Buffalo Bills; Jeopardy Champion.

**CBS:** Abortion Rights Protests; Severe Weather; House Dems-Subpoenas; Dallas-Transgender Women Attacks; College Admissions Scam; Guatemalan Boy Dies In US Custody; Gun Safety; Alaska-Second Seaplane Crash; US Post Office-Self-Driving Trucks; American Airlines-Oversized Bag Fee; Colorado-Spring Snowstorm; 99-Year-Old Gets Honorary Degree.

**NBC:** Severe Weather; Weather Report; Abortion Rights Protests; House Dems-Subpoenas; US-Iran Tensions; Alaska-Second Seaplane Crash; Immigration-Detention Facilities; Baltimore-Hackers Freeze City Computers; Long Island-Great White Shark; West Point-African American Women Cadets.

### **Network TV At A Glance:**

House Dems-Subpoenas – 7 minutes, 5 seconds  
Abortion Rights Protests – 4 minutes, 55 seconds  
Alaska-Second Seaplane Crash- 4 minutes, 25 seconds

### **Story Lineup From This Morning's Radio News Broadcasts:**

**ABC:** AG Barr-Federal Judges Comment; House Dems-Subpoenas; Pennsylvania-State Rep. Keller Wins; US-Iran Tensions; Alaska-Second Seaplane Crash; Stanley Cup Finals.

**CBS:** Abortion Rights Protests; House Dems-Subpoenas; Trump-Tax Returns-IRS Memo; Alaska-Second Seaplane Crash.

**FOX:** US-Iran Tensions; House Dems-McGahn; House Dems-Subpoenas; US-China Trade Talks; Alaska-Second Seaplane Crash.

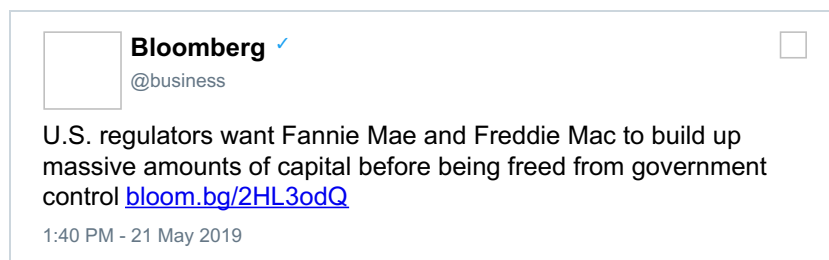
**NPR:** House Dems-McGahn; US-Iran Tensions; Emmanuel Macron-Steve Bannon Comments.

## **SOCIAL MEDIA RECAP**

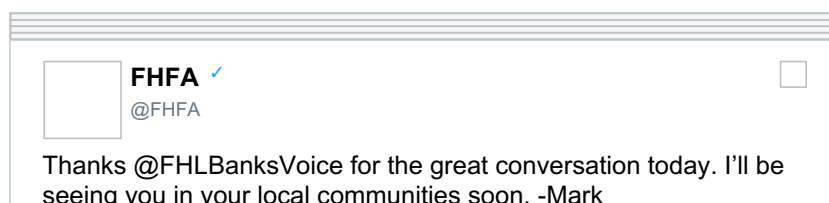
### **Key Social Conversations.**

A Bulletin Intelligence analysis of social media activity found that "FHFA"-related engagement declined on Tuesday, although it remained significantly above the average level of the past week. However, GSE-related engagement spiked, driven by discussion of possible recapitalization efforts. A Bloomberg tweet regarding comments from Freddie Mac CEO Don Layton generated 5M impressions. A tweet from author Joshua Rosner critical of the UMBS generated the most engagement. Director Calabria's speech at MBA Secondary remained a key topic of conversation.

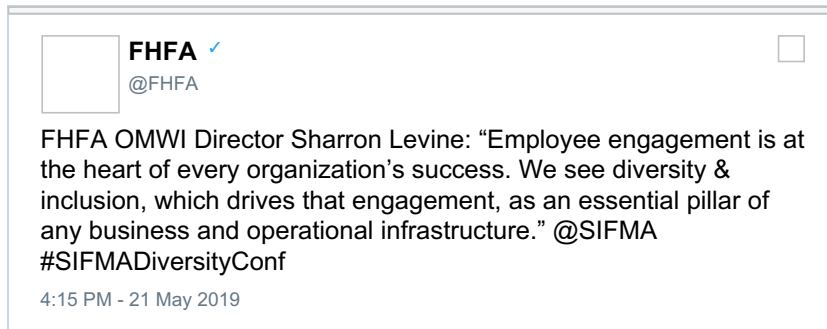
- **Bloomberg tweeted (17 retweets, 29 likes, 5M impressions):**



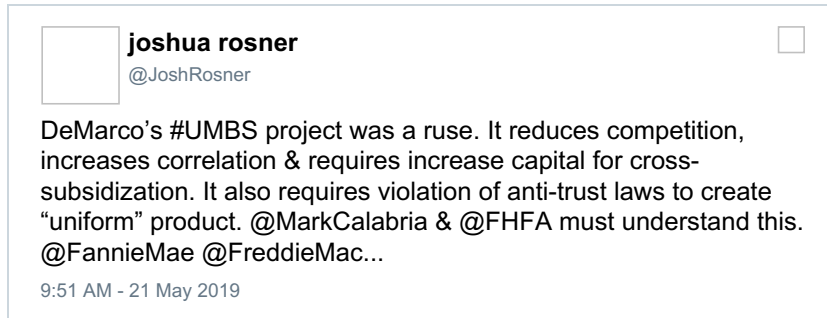
- **FHFA tweeted (3 retweets, 9 likes, 9.6K impressions):**



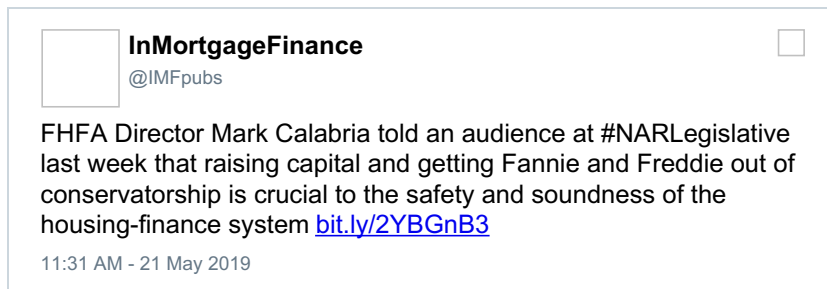
• **FHFA tweeted (4 retweets, 6 likes, 9.6K impressions):**



• **Joshua Rosner tweeted (18 retweets, 40 likes, 6.1K impressions):**



• **Inside Mortgage Finance tweeted (7 retweets, 16 likes, 4.5K impressions):**



## D.C. SCHEDULE

### Today's Events In Washington.

#### White House:

- President Trump — meets with Congressional Democrats on infrastructure; participates in the Public Safety Officer Medal of Valor presentation ceremony; participates in a roundtable discussion with supporters; delivers remarks at a fundraising committee reception.
- Vice President Pence — participates in the Republican National Committee Convention Kickoff;
- participates in a tour of Parkdale Mills; delivers remarks at Parkdale Mills; participates in a Trump Victory Event.

#### US Senate:

- Senate Armed Services Committee marks up National Defense Authorization Act – Closed markup hearing on 'National Defense Authorization Act for Fiscal Year 2020' \* Conducted at the secret level

*Location: Rm 222, Russell Senate Office Building, Washington, DC; 9:00 AM*

- Interior Secretary Bernhardt testifies to Senate Appropriations subcommittee hearing on budget – Interior, Environment, and Related Agencies Subcommittee hearing on the Fiscal Year 2020 funding request and budget justification for the Department of the Interior, with testimony from Secretary of the Interior David Bernhardt

*Location: Rm 124, Dirksen Senate Office Building, Washington, DC; 9:30 AM*

- Senate Special Committee on Aging hearing on technologies to improve quality of life – Hearing on 'Aging and Disability in the 21st Century: How Technology Can Help Maintain Health and Quality of Life', with testimony from MIT AgeLab Director Joseph Coughlin; Cooper Hewitt Smithsonian Design Museum Curatorial Director Cara McCarty; Maine Long-Term Care Ombudsman Program Executive Director Brenda Gallant; and Life and Independence for Today Executive Director Robert Mecca

*Location: Rm 562, Dirksen Senate Office Building, Washington, DC; 9:30 AM*

- Senate EPW Committee legislative hearing on bills to address PFAS risks – Legislative hearing to consider legislation to address the risks associated with Per- and Polyfluoroalkyl Substances

(PFAS), including 'S. 638, PFAS Action Act of 2019', 'S. 950, PFAS Detection Act of 2019', 'S. 1251, Safe Drinking Water Assistance Act of 2019', 'S. 1372, PFAS Accountability Act of 2019', 'S. 1473, Protect Drinking Water from PFAS Act of 2019', and 'S. 1507, PFAS Release Disclosure Act', with testimony from American Chemistry Council Chemical Products and Technology Senior Director Kimberly Wise White; Pennsylvania Department of Environmental Protection Bureau of Safe Drinking Water Director Lisa Daniels; Environmental Working Group Government Affairs Senior Vice President Scott Faber; and American Water Works Association Government Affairs Senior Director G. Tracy Mehan III

*Location: Rm 406, Dirksen Senate Office Building, Washington, DC; 9:45 AM*

- Senate Judiciary Committee nominations hearing – Nominations hearing to consider Daniel Bress to be U.S. Circuit Judge for the Ninth Circuit; Michael Bergen to be U.S. District Judge for the Western District of Michigan; Stephanie Davis to be U.S. District Judge for the Eastern District of Michigan; U.S. District Judge for the Southern District of West Virginia; and David Tapp to be a Judge of the U.S. Court of Federal Claims

*Location: Rm 226, Dirksen Senate Office Building, Washington, DC; 10:00 AM*

- MDA Director Lt. Gen. Greaves testifies to Senate Appropriations subcommittee hearing on budget – Defense Subcommittee hearing on the Fiscal Year 2020 funding request and budget justification for the Missile Defense Agency, with testimony from Missile Defense Agency Director Lt. Gen. Samuel Greaves

*Location: SVC-217, U.S. Capitol, Washington, DC; 10:00 AM*

- Senate Foreign Relations Committee closed hearing on Afghanistan – Closed hearing on 'The Reconciliation Process in Afghanistan', with testimony from State Department Special Representative for Afghanistan Reconciliation Zalmay Kahlilzad

*Location: SVC-217, U.S. Capitol, Washington, DC; 10:15 AM*

- Senate Foreign Relations Committee business meeting – Business meeting to consider the nomination of Jeffrey L. Eberhardt, to be Special Representative of the President for Nuclear Nonproliferation, with the rank of Ambassador; and legislation including 'S. 178, Uyghur Human Rights Policy Act of 2019, with an amendment', 'S. 249, A bill to direct the Secretary of State to develop a strategy to gain observer status for Taiwan in the World Health Organization, and for other purposes', 'S. 1025, Venezuela Emergency Relief, Democracy Assistance, and Development Act of 2019, with an amendment', 'S. 1340, A bill to authorize activities to combat the Ebola outbreak in the Democratic Republic of the Congo, and for other purposes, with an amendment', 'H.R. 31, Caesar Syria Civilian Protection Act of 2019, with an amendment', 'S. Res. 81, A resolution calling for accountability and justice for the assassination of Boris Nemstov, with amendments', and other bills

*Location: S-116, U.S. Capitol, Washington, DC; 2:00 PM*

- Senate Veterans' Affairs Committee hearing on pending legislation – Hearing on pending legislation including 'S. 123 – Ensuring Quality Care for Our Veterans Act', 'S. 221 – Department of Veterans Affairs Provider Accountability Act', 'S. 318 – VA Newborn Emergency Treatment Act', 'S. 450 – Veterans Improved Access and Care Act of 2019', 'S. 514 – Deborah Sampson Act', 'S. 524 – Department of Veterans Affairs Tribal Advisory Committee Act of 2019', 'S. 711 – Care and Readiness Enhancement for Reservists Act of 2019', 'S. 746 – Department of Veterans Affairs Website Accessibility Act of 2019', 'S. 785 – Commander John Scott Hannon Veterans Mental Health Care Improvement Act of 2019', 'S. 805 – Veteran Debt Fairness Act of 2019', 'S. 850 – Highly Rural Veteran Transportation Program Extension Act', 'S. 857 – A bill to amend title 38, United States Code, to increase the amount of special pension for Medal of Honor recipients, and for other purposes', 'S. 980 – Homeless Veterans Prevention Act of 2019', and other bills

*Location: Rm 418, Russell Senate Office Building, Washington, DC; 2:30 PM*

- Senate Governmental Affairs subcommittee / Small Business Committee joint hearing on the SBA Office of Advocacy – Senate Homeland Security and Governmental Affairs Subcommittee on Regulatory Affairs and Federal Management and Senate Committee on Small Business and Entrepreneurship joint hearing on 'Reauthorization of the SBA Office of Advocacy', with testimony from Small Business Administration Office of Advocacy Acting Chief Counsel Major Clark III; International Council for Small Business Senior Vice President for Partnerships Winslow Sargeant; Small Business Majority CEO and Founder John Arensmeyer; ECCO Select Founder, President and CEO Jeanette Hernandez Prenger; and Murrells Inlet Seafood Owner Rick Baumann

*Location: Rm 106, Dirksen Senate Office Building, Washington, DC; 2:30 PM*

#### **US House:**

- Treasury Secretary Mnuchin's testimony to House committee continues – Annual hearing on 'The State of the International Financial System', with testimony from the Secretary of the Treasury Steven Mnuchin, continues \* Began 9 Apr, when a dispute between Secretary Mnuchin and Committee Chair Maxine Waters saw the secretary insist that he had an 'important meeting' with a foreign leader and needed to leave, object to being 'ordered to stay', and then object when Rep. Waters said he could leave but refused to dismiss him to conclude the hearing

*Location: Rm 2128, Rayburn House Office Building, Washington, DC; 9:00 AM*

- Dem Rep. Rosa DeLauro delivers remarks on federal education policy – Learning Policy Institute hosts 'How Federal Policy Can Empower States and Communities to Provide Whole

Child Education For All Students' briefing on how 'whole-child' approaches to learning can contribute to academic and life success and reduce the negative effects of poverty on achievement, with opening remarks from Democratic Rep. Rosa DeLauro. Other speakers include Learning Policy Institute Federal Policy Director Jessica Cardichon, Alliance for Excellent Education President and CEO Deborah Delisle, The Earth School Principal Abbe Futterman, UnidosUS Senior Cabinet Advisor Charles Kamasaki, America's Promise Alliance Strategic Initiatives and Partnerships Senior Director Monika Kincheloe and House Appropriations Committee staff member Philip Tizzani

*Location: U.S. Capitol Visitor Center, First St NE, Washington, DC; 9:00 AM*

- House Intelligence Committee votes on 'enforcement action' against AG Barr – Business meeting to vote on enforcement action regarding the subpoena issued by the Permanent Select Committee on Intelligence to Attorney General William Barr on 8 May, for foreign intelligence, counterintelligence and other information related to Special Counsel Robert Mueller's investigation into Russian interference in the 2016 presidential election \* Committee Chairman Adam Schiff scheduled the vote after the Justice Department missed a 15 May deadline to hand over an unredacted version of Mueller's report. He has not specified what the 'enforcement action' could be

*Location: HVC-304, U.S. Capitol, Washington, DC; 9:30 AM*

- Acting DHS Secretary McAleenan testifies to House Homeland Security Committee on budget – Hearing on 'A Review of the Fiscal Year 2020 Budget Request for the Department of Homeland Security', with testimony from Acting Secretary of Homeland Security Kevin McAleenan

*Location: Rm 310, Cannon House Office Building, Washington, DC; 9:30 AM*

- House Foreign Affairs committee hearing on the administration's Syria strategy – Oversight hearing on 'Searching for Solutions in Syria: The Trump Administration's Strategy', with testimony from State Department Special Representative for Syria Engagement and Special Envoy to the Global Coalition To Defeat ISIS James Jeffrey

*Location: Rm 2172, Rayburn House Office Building, Washington, DC; 10:00 AM*

- EPA officials testify to House Infrastructure subcommittee hearing on FY'20 budget – Water Resources and Environment Subcommittee Hearing on 'Policies, Recommendations, and Impacts of the President's Fiscal Year 2020 Budget Request', with testimony from Environmental Protection Agency Principal Deputy Assistant Administrator for Water Benita Best-Wong; and Environmental Protection Agency Acting Assistant Administrator for Land and Emergency Management Barry Breen

*Location: Rm 2167, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Oversight and Reform Committee hearing on facial recognition technology – Hearing on 'Facial Recognition Technology (Part 1): Its Impact on our Civil Rights and Liberties', with testimony from Algorithmic Justice League Founder Joy Buolamwini; University of the District of Columbia Professor of Law Andrew Ferguson; Georgetown University Law Center Center on Privacy and Technology Senior Associate Clare Garvie; American Civil Liberties Union Senior Legislative Counsel Neema Singh Guliani; and former National Organization of Black Law Enforcement Executives President Cedric Alexander

*Location: Rm 2154, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Budget Committee hearing on establishing a single-payer health care system – Hearing on 'Key Design Components and Considerations for Establishing a Single-Payer Health Care System', with testimony from Congressional Budget Office Deputy Director Mark Hadley, Deputy Assistant Director for Health, Retirement, and Long-Term Analysis Dr Jessica Banthin, and Associate Director for Economic Analysis Dr Jeffrey Kling

*Location: Rm 210, Cannon House Office Building, Washington, DC; 10:00 AM*

- House Veterans' Affairs subcommittees joint oversight hearing on 'MISSION Critical: Caring for Our Heroes' – Health Subcommittee and Technology Modernization Subcommittee joint oversight hearing on 'MISSION Critical: Caring for Our Heroes', with testimony from Acting Principal Deputy Under Secretary of Veterans Affairs for Health Dr Steven Lieberman; Veterans Health Administration Caregiver Support Program Deputy Director Dr Elyse Kaplan; Department of Veterans Affairs Office of Information and Technology Account Management Deputy Chief Information Officer Dr Alan Constantian; Government Accountability Office Information Technology Acquisition Management Director Carol Harris; AbleVets Chief Medical Officer Dr Wendell Ocasio; and Director Ken Beecher

*Location: HVC 210, U.S. Capitol Visitor Center, Washington, DC; 10:00 AM*

- House Natural Resources subcommittee legislative hearing – National Parks, Forests, and Public Lands Subcommittee legislative hearing to consider 'H.R. 182', 'H.R. 307', 'H.R. 473', 'H.R. 1088', 'H.R.1130', 'H.R. 1179', 'H.R. 1248', 'H.R. 1472', 'H.R.1487', 'H.R. 1727', 'H.R. 2369', 'H.R. 2427', 'H.R. 2490' and 'H.R. 2525', with testimony from National Park Service Deputy Director Daniel Smith; Center for Coastal Studies President and CEO Richard Delaney; American Battlefield Trust President O. James Lighthizer; former 1st Infantry Division Commanding General Lt. Gen. (Ret.) Thomas Rhame; Descendant of the Fort Pillow Massacre Yulanda Burgess; North Carolina African American Heritage Commission Director Angela Thorpe; York River Study Commission Chair Charles Ott; Nebraska Commission on Indian Affairs Judi Gaiashkibos; Georgetown University American Studies Program Director Sherry Linkon; and bipartisan Reps. William Keating, Jody Hice, Joe Neguse, Roger Marshall, Alma Adams, Adrian Smith, Gerald Connolly, Kathleen Rice, John Sarbanes, and Tim Ryan



*Location: Rm 1334, Longworth House Office Building, Washington, DC; 10:00 AM*

- House Natural Resources subcommittee oversight hearing on the IPBES Global Assessment Report – Water, Oceans, and Wildlife Subcommittee oversight hearing on 'Responding to the Global Assessment Report of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)', with testimony from IPBES Immediate Past Chair Sir Robert Watson; IPBES Global Assessment Co-Chair Eduardo Brondizio; and IPBES Global Assessment Coordinating Lead Author Yunne Shin \* The report found that 'around one million animal and plant species are now threatened with extinction, many within decades, more than ever before in human history'

*Location: Rm 1324, Longworth House Office Building, Washington, DC; 10:00 AM*

- House Energy and Commerce Committee hearing on modernizing infrastructure – Hearing on 'LIFT America: Modernizing Our Infrastructure for the Future', with testimony from MLC Strategies Principal Mignon Clyburn; Trust for America's Health President and CEO John Auerbach; BlueGreen Alliance Legislative Director Jessica Eckdish; Piscatawny Township, NJ Mayor Brian Wahler (on behalf of the U.S. Conference of Mayors); American Enterprise Institute Visiting Fellow Daniel Lyons; and U.S. Chamber of Commerce Global Energy Institute Acting President Christopher Guith

*Location: Rm 2123, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Judiciary Committee markup hearing – Markup hearing on 'H.R. 2820, Dream Act of 2019', 'H.R. 2821, American Promise Act of 2019', and H.R. 549, Venezuela TPS Act of 2019'

*Location: Rm 2141, Rayburn House Office Building, Washington, DC; 10:00 AM*

- House Ways and Means subcommittee hearing on 'Enforcement In The New NAFTA' – Trade Subcommittee hearing on 'Enforcement In The New NAFTA', with testimony from American Phoenix Trade Advisory Services Principal Beth Baltzan; International Association of Machinists and Aerospace Workers Chief of Staff to the International President Owen Herrnstadt; former International Labor Organization Deputy Director-General for Policy Sandra Polaski; Environmental Investigation Agency U.S. Executive Director Alexander von Bismarck; and Cargill Global Corporate Affairs Corporate Vice President Devry Boughner Vorwerk

*Location: Rm 1100, Longworth House Office Building, Washington, DC; 10:00 AM*

- House Education and Labor Subcommittee hearing on 'Engines of Economic Mobility' – Higher Education and Workforce Investment Subcommittee hearing on 'Engines of Economic Mobility: The Critical Role of Community Colleges, Historically Black Colleges and Universities, and Minority-Serving Institutions in Preparing Students for Success', with testimony from Xavier University of Louisiana President Reynold Verret; The University of Texas Rio Grande Valley Executive Vice President For Academic Affairs, Student Success, And P-16 Integration Patricia Alvarez McHatton; Virginia Community College System Chancellor Glenn DuBois; and Salish Kootenai College President Sandra Boham

*Location: Rm 2175, Rayburn House Office Building, Washington, DC; 10:15 AM*

- House Appropriations Committee markup hearing – Markup hearing on 'FY2020 Commerce, Justice, Science, and Related Agencies Appropriations Bill' and 'FY2020 Interior, Environment, and Related Agencies Appropriations Bill'

*Location: Rm 2359, Rayburn House Office Building, Washington, DC; 10:30 AM*

- House Small Business Committee hearing on 'Immigration and the Small Business Workforce' – Hearing on 'Immigration and the Small Business Workforce', with testimony from New American Economy Special Projects Director Dan Wallace; Challenger Sports Senior Vice President Derek Shoare; Deer Park Roofing President Nick Sabino; and Mercatus Center at George Mason University Trade and Immigration Project Co-Director Senior Research Fellow Daniel Griswold

*Location: Rm 2360, Rayburn House Office Bldg, Washington, DC; 11:30 AM*

- House meets for legislative business – House of Representatives meets for legislative business, with agenda for the week including consideration of 'H.R. 2359 – Whole Veterans Act', 'H.R. 1947 – To amend title 38, United States Code, to exempt transfers of funds from federal agencies to the Department of Veterans Affairs for nonprofit corporations established under subchapter IV of chapter 73 of such title from certain provisions of the Economy Act', 'H.R. 1812 – Vet Center Eligibility Expansion Act', 'H.R. 2326 – Navy Seal Chief Petty Officer William Mulder Transition Improvement Act of 2019', 'H.R. 2333 – Support for Suicide Prevention Coordinators Act', 'H.R. 2340 – FIGHT Veteran Suicide Act', 'H.R. 1200 – Veterans' Compensation Cost-of-living Adjustment Act of 2019', 'H.R. 2372 – Veterans' Care Quality Transparency Act', 'H.R. 2045 – Veterans' Education, Transition, and Opportunity Prioritization Plan Act of 2019', 'H.R. 1500 – Consumers First Act', and 'H.R. 1994 – Setting Every Community Up for Retirement Enhancement Act of 2019'

*Location: U.S. Capitol, Washington, DC; 12:00 PM*

- House Foreign Affairs Committee markup hearing – Markup hearing on 'H.R. 2615, United States-Northern Triangle Enhanced Engagement Act', 'H.R. 2744, USAID Branding Modernization Act', H.R. 598, Georgia Support Act', 'H.R. 2140, Preventing Child Marriage Act', 'H.R. 2023, Protect European Energy Security Act', 'H.R. 2046, Energy Diplomacy Act', 'H.Res. 129, Condemning the Government of Saudi Arabia's continued detention and alleged abuse of women's rights activists', 'H.Res. 372, Expressing concern for the United States-Turkey alliance', and 'H.Res. 345, Recognizing widening threats to freedoms of the press and

expression around the world, reaffirming the centrality of a free and independent press to the health of democracy, and reaffirming freedom of the press as a priority of the United States'

*Location: Rm 2172, Rayburn House Office Building, Washington, DC; 2:00 PM*

- House Oversight and Reform subcommittee hearing on for-profit colleges and student debt – Economic and Consumer Policy Subcommittee hearing on 'Examining For-Profit College Oversight and Student Debt', with testimony from Principal Deputy Under Secretary of Education Diane Auer Jones; former Illinois Institute of Art student Robert Infusino; Maryland Assistant Attorney General for the Consumer Protection Division Christopher Madaio; and attorney and counselor David Halperin

*Location: Rm 2247, Rayburn House Office Building, Washington, DC; 2:00 PM*

- House Oversight and Reform subcommittee hearing on election infrastructure and political discourse – National Security Subcommittee hearing on 'Securing U.S. Election Infrastructure and Protecting Political Discourse', with testimony from Department of Homeland Security Cybersecurity and Infrastructure Security Agency Director Christopher Krebs; Deputy Assistant Attorney General for National Security Adam Hickey; Election Assistance Commission Chairwoman Christy McCormick; Massachusetts Secretary of the Commonwealth Bill Galvin; Google Director of Law Enforcement and Information Security Richard Salgado; Facebook Head of Cybersecurity Policy Nathaniel Gleicher; and Twitter Public Policy Manager Kevin Kane

*Location: Rm 2154, Rayburn House Office Building, Washington, DC; 2:00 PM*

- House Veterans' Affairs subcommittee oversight hearing on improving VA effectiveness – Oversight and Investigations Subcommittee oversight hearing on 'Improving the Department of Veterans Affairs Effectiveness: Responding to Recommendations from Oversight Agencies'

*Location: HVC 210, U.S. Capitol Visitor Center, Washington, DC; 2:00 PM*

- House Infrastructure subcommittee hearing on disaster preparedness – Economic Development, Public Buildings, and Emergency Management Subcommittee hearing on 'Disaster Preparedness: DRR Implementation and FEMA Readiness', with testimony from Federal Emergency Management Agency Deputy Administrator for Resilience Daniel Kaniewski; Ohio Emergency Management Agency Executive Director Sima Merick (on behalf of the National Emergency Management Association); Hamilton County, OH Emergency Management and Homeland Security Agency Director Nick Crossley (on behalf of the International Association of Emergency Managers); County of Sonoma, CA 4th District Supervisor James Gore (on behalf of the National Association of Counties); Texas A&M Engineering Extension Service Deputy Director Al Davis (on behalf of the National Domestic Preparedness Consortium); Build Strong Coalition Executive Director Pamela Williams; and Reve President Randy Noel (on behalf of the National Association of Home Builders)

*Location: Rm 2167, Rayburn House Office Building, Washington, DC; 2:00 PM*

- Dem Rep. Nydia Velazquez speaks on trade war consequences – Press event hosted by House Small Business Committee Chairwoman Democratic Rep. Nydia Velazquez to draw attention to the consequences of the trade war with China on U.S. small businesses. Other speakers include Man & Machine owner Clifton Broumand, Granite Tech and Benchmark GRP owners Bill Skalish, Lay-n-Go COO and founder Adam Fazackerley

*Location: House Triangle, Washington, DC; 2:00 PM*

- Bipartisan Reps. Joe Wilson and John Yarmuth discuss Military Surviving Spouses Equity Act – Republican Rep. Joe Wilson and Democratic Rep. John Yarmuth provide an update on H.R. 553, the Military Surviving Spouses Equity Act, via press conference. Speakers include Candace Wheeler (Tragedy Assistance Program for Survivors), Kelly Hruska (National Military Family Association), and Kyle Kalman (Veterans of Foreign Wars)

*Location: House Triangle, Washington, DC; 4:00 PM*

#### **Cabinet Officers:**

- Treasury Secretary Mnuchin's testimony to House committee continues – Annual hearing on 'The State of the International Financial System', with testimony from the Secretary of the Treasury Steven Mnuchin, continues \* Began 9 Apr, when a dispute between Secretary Mnuchin and Committee Chair Maxine Waters saw the secretary insist that he had an 'important meeting' with a foreign leader and needed to leave, object to being 'ordered to stay', and then object when Rep. Waters said he could leave but refused to dismiss him to conclude the hearing

*Location: Rm 2128, Rayburn House Office Building, Washington, DC; 9:00 AM*

- Interior Secretary Bernhardt testifies to Senate Appropriations subcommittee hearing on budget – Interior, Environment, and Related Agencies Subcommittee hearing on the Fiscal Year 2020 funding request and budget justification for the Department of the Interior, with testimony from Secretary of the Interior David Bernhardt

*Location: Rm 124, Dirksen Senate Office Building, Washington, DC; 9:30 AM*

- Acting DHS Secretary McAleenan testifies to House Homeland Security Committee on budget – Hearing on 'A Review of the Fiscal Year 2020 Budget Request for the Department of Homeland Security', with testimony from Acting Secretary of Homeland Security Kevin McAleenan

*Location: Rm 310, Cannon House Office Building, Washington, DC; 9:30 AM*

- Secretary of State Pompeo keynotes Israeli Embassy's Independence Day Celebration – Secretary of State Mike Pompeo delivers the keynote address at the Israeli Embassy's Independence Day Celebration, in Washington, DC

*Location: Andrew W Mellon Auditorium, 1301 Constitution Ave NW, Washington, DC; 7:05*

PM

**Visitors:**

- No visitors scheduled.

**This Town:**

- U.S. News & World Report STEM Solutions Workforce of Tomorrow – U.S. News & World Report STEM Solutions Workforce of Tomorrow. Speakers include U.S. News & World Report Executive Chairman Eric Gertler, former Delaware Governor Jack Markell, Swiss Ambassador to the U.S. Martin Dahinden, Minnesota Department of Labor and Industry Commissioner Nancy Leppink, and Vermont Department of Labor Commissioner Lindsay Kurrle

*Location: National Press Club, 529 14th St NW, Washington, DC; 9:00 AM*

- Center for American Progress Ideas Conference – Center for American Progress Ideas Conference, with speakers including House Speaker Nancy Pelosi and fellow Democrats Sen. Jon Tester and Reps. Sharice Davids, Hakeem Jeffries, and Katie Porter, Fair Fight founder Stacey Abrams, New Mexico Governor Michelle Lujan Grisham, Los Angeles Mayor Eric Garcetti, NextGen America founder Tom Steyer, former U.S. Ambassador to the United Nations Susan Rice, Wisconsin Lieutenant Governor Mandela Barnes, former Council of Economic Advisers member Betsey Stevens, and The Ohio State University John Glenn College of Public Affairs Professor and Kirwan Institute for the Study of Race and Ethnicity Executive Director Darrick Hamilton

*Location: Renaissance Washington, 999 9th St NW, Washington, DC; 9:00 AM*

- Dems Sen. Chris Van Hollen and Rep. Jesus Garcia discuss racial disparities in the public education system – Alliance to Reclaim Our Schools and Journey for Justice Alliance hold a news conference and rally, precluding a bus tour, as part of We Choose Equity: Fund Our Future National Day of Action events aimed at highlighting racial disparities in the public education system 65 years after Brown v. Board of Education. Speakers include Democrats Sen. Chris Van Hollen and Rep. Jesus Garcia, American Federation of Teachers President Randi Weingarten, Education Rights Network Co-Founder Paulette Foster, Paterson Education Fund Executive Director Rosie Grant, Journey for Justice Alliance National Director Jitu Brown, and Washington Teacher's Union President Liz Davis \* Events take place nationwide, including Denver, Birmingham, AL, Dallas, Chicago and Jackson, MS

*Location: Supreme Court of the United States, 1 First St NE, Washington, DC; 10:00 AM*

- Department of Transportation National Maritime Day ceremony – Department of Transportation National Maritime Day ceremony, on National Maritime Day

*Location: U.S. Department of Transportation, 1200 New Jersey Ave SE, Washington, DC;*

*10:00 AM*

- Latino State of Census 2020 briefing at NPC – NALEO Educational Fund and National Latino Commission on Census 2020 host a briefing on the 'Latino State of Census 2020', with speakers including National Latino Census Commission co-chairs California Secretary of State Alex Padilla and Miami-Dade County School Board Member Lubby Navarro and NALEO Education Fund CEO Arturo Vargas

*Location: National Press Club, 529 14th St NW, Washington, DC; 11:00 AM*

- Dem Sen. Chris Coons discusses carbon pricing in media conference call – Democratic Sen. Chris Coons and DSM North America President Hugh Welsh discuss national carbon pricing legislation, via conference call; 12:45 PM
- Congressional Black Caucus' Police Accountability Taskforce hosts a police-community relations forum – Congressional Black Caucus' Police Accountability Taskforce hosts a police-community relations forum, to discuss 'the work of President Obama's Task Force on 21st Century Policing, the state of policing under President Trump, and new recommendations to improve law enforcement interactions with communities of color.' Speakers include President's Task Force on 21st Century Policing former Director Ronald Davis and former co-chair Laurie Robinson, Portsmouth County, Virginia Commonwealth Attorney Stephanie Morales, Anti-Police Terror Project co-founder Cat Brooks, and mother of police violence victim Wanda Johnson

*Location: Rayburn House Office Building, 45 Independence Ave SW, Washington, DC; 2:30*

PM

- Global Down Syndrome Foundation AcceptAbility Gala – Global Down Syndrome Foundation AcceptAbility Gala, with honorees Republican Sen. Roy Blunt and Democratic Rep. Cheri Bustos. Includes performances from Andy Grammer and The Ransom Notes, with attendees including Fox News' John Roberts

*Location: Hilton Washington DC National Mall, 480 L'Enfant Plaza SW, Washington, DC; 6:00*

PM

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FHFA Briefing

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### FHFA NEWS

#### FHFA Director Says FHLBanks Are Relying Less On Short-Term Debt. (REU, DSN)

[Reuters](#) (5/23) reports Federal Housing Finance Agency Director Melvin Watt said on Tuesday that the US Federal Home Loan Bank system is making progress in depending less on "short-term debt to fund its longer-term assets through the sale of longer-dated bonds." In a prepared speech at the annual conference of FHLB directors, Watt said, "A year later, we have seen some progress on this front. While the FHLBank System as a whole is reducing maturity mismatches, some FHLBanks are doing better than others." According to the article, FHLBanks have reduced their discount note offerings with durations of three months or less, while raising issuance of floating-rate notes with 18 month maturities and longer-dated securities. Watt said, "In making all of these adjustments, the FHLBanks are being aided by more favorable bond rates for longer-term debt, making these issuances less expensive."

[DS News](#) (5/23, Gilpin, 497) reports similarly.

### FANNIE MAE AND FREDDIE MAC

#### Freddie Mac Releases April Monthly Volume Summary. (DSN)

[DS News](#) (5/23, Yale, 497) reports that Freddie Mac's total mortgage portfolio increased at an annualized rate of 0.5 percent between April 2016 and April 2017, according to the April Monthly Volume Summary released Tuesday. However, DS News notes that April's increase "is significantly lower than March's, which came in at 4.8 percent. December 2016 saw a 10 percent annualized growth rate." Freddie Mac completed \$28 billion in mortgage purchases or issuances, \$4.1 billion in sales, and \$23 billion in liquidations for the month of April. The balance of Freddie Mac's

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mortgage portfolio by the end of the month was just over \$2 trillion. The GSE has funded \$127 billion in mortgages year-to-date.

### **US Seeks To End Fannie Mae, Freddie Mac Conservatorship. (NPR)**

[NPR](#) (5/23, 1.92M) broadcast a report on getting Fannie Mae and Freddie Mac out of conservatorship, while preserving the 30-year fixed-rate mortgage. NPR said "some 15 percent of the U.S. economy hinges on the 30-year fixed-rate mortgage," and cautioned that Fannie Mae's and Freddie Mac's capital reserves are set to reach zero in 2018, which could lead to another taxpayer bailout if the GSEs were to incur a financial loss. The Trump administration has said reforming Fannie Mae and Freddie Mac is a top priority. Treasury Secretary Steven Mnuchin recently told senators that he's "committed to preserving the 30-year mortgage even if it means the creation of a special fund," NPR said. The segment concluded that "the Senate has taken the lead in crafting the future of housing finance, and they've done so in what observers say is an impressively bipartisan way. This helps put the housing industry and Wall Street at ease. They are urging a gradual, multi-year transition in order to avoid shocking this \$10 trillion system."

### **Mnuchin Filling Leadership Roles With Positions Not Requiring Senate Confirmation. (BLOOMPOL)**

[Bloomberg Politics](#) (5/23, Mohsin, 201K) reports that Treasury Secretary Steven Mnuchin is "trying to fill a leadership vacuum in his department by increasingly recruiting financial industry executives for senior positions that come with a perk: a title that doesn't require Senate confirmation." So far, Mnuchin has hired four top aids with "counselor" titles, including former BlackRock executive Craig Phillips; Shannon McGahn, "the wife of White House counsel Don McGahn, who is advising Mnuchin on legislative and public affairs"; Dan Kowalski; and former Morgan Stanley banker Justin Muzinich. Mnuchin "has demonstrated a willingness to be creative as he fills important jobs, in part because a personnel logjam at the White House has slowed his appointments." Bloomberg writes that Mnuchin "faces difficulty fulfilling President Donald Trump's ambitious economic agenda. The Treasury chief's goals include the biggest tax overhaul since the Reagan administration, the unwinding of financial regulations and revamping Fannie Mae and Freddie Mac – all with the objective of doubling the pace of US growth."

### **Jared Kushner's Multifamily Real Estate Empire Examined. (NYT)**

The [New York Times](#) (5/23, Macgillis, Subscription Publication, 13.9M) features an article examining Jared Kushner's "other real estate empire" that saw Kushner Companies purchases several multifamily units that were characterized by prices that fell "somewhere in the middle of the market, typically of a certain age and wear, whose owners were in financial difficulty." The highest concentration of these holdings is in the Baltimore area, where in August 2012, "a Kushner-led investment group bought 5,500 multifamily units...with \$371 million in financing from Freddie Mac." The article draws attention to how Kushner pursued legal action against many of the residents in its recently-acquired properties for violating lease terms, despite the residents acting in accordance to their rental agreements.

### **Trump Budget Projects \$142 Billion In Revenue From Fannie Mae And Freddie Mac. (BREITBART)**

[Breitbart](#) (5/23, 2.02M) reports the White House's budget released Tuesday projects \$142 Billion In Revenue will be generated from Fannie Mae and Freddie Mac, assuming the GSEs' current profit sweep arrangement remains in place with the US Treasury Department. However, the White House notes that the administration has publicly expressed its desire to work with Congress to comprehensively reform the housing finance system, and says the impact of reform on the budget projections cannot be estimated. According to the article, "The projections show a decline from earlier estimates, indicating that the administration expects the profitability of Fannie and Freddie to decline over time."

### **Lenders Push Back Against Proposed \$30 Million FHA Fee For Risk Management Upgrades. (AMBNKR, CTYLAB)**

Lenders, [American Banker](#) (5/23, Collins, Subscription Publication, 28K) reports, are "objecting to the Trump administration's proposed \$30 million fee designed to partially fund upgrades to the Federal Housing Administration," arguing that although "the FHA should upgrade its risk management system...the budget shows the agency is making enough money on its own to bear the cost of the improvements." According to American Banker, "[t]he budget proposal foresees a \$160 million risk management program at the FHA, \$30 million of which would be funded by a fee on the industry." In addition, the proposal "envision[s] the FHA making a \$7.1 billion profit in fiscal year 2018, while guaranteeing \$213.9 billion in new single-family loans." The "budget also calls for eliminating the National Housing Trust Fund that is being funded by Fannie Mae and Freddie Mac."

#### ***Elimination Of National Housing Trust Fund A "Truly Mean Trick" In Trump Budget.***

[Atlantic's CityLab](#) (5/23, Capps, 175K) reports among the victims of the Trump budget cuts is the National Housing Trust Fund, which is "devoted exclusively to America's most vulnerable households" and is "one of the only new social safety net programs in a generation." Signed by President George W. Bush in 2008 to try to rescue Fannie Mae and Freddie Mac from the subprime mortgage crisis, the fund was "shelved" during the financial crisis and only recently became operational in 2016, with \$174 million to distribute to housing agencies nationwide to serve low-income households. CityLab calls the fund a "godsend for vulnerable families" and says cuts to the

fund would be “particularly punitive, given the way that the fund is financed, the very small amount of money in question, and above all, the desperate profile of the families this fund serves.” Additionally, as the budget proposes growing cost savings over time through the fund’s elimination and the fund is linked to home sales, “a growth in savings means the Trump administration predicts an absolutely booming housing market” from which savings will “be redirected toward tax cuts for the very wealthiest Americans,” which CityLab calls “the truly mean trick” in the budget.

#### **Fannie Mae To Stop Selling Homes To Vision Property. (NYT)**

The [New York Times](#) (5/23, Goldstein, Stevenson, Subscription Publication, 13.9M) reports that Fannie Mae announced Tuesday it has stopped selling properties to rent-to-own firm Vision Property Management after conducting a review of the firm’s practices following a series of articles by the New York Times last year detailing abuses with rent-to-own leases and contract for deed sales. Fannie Mae said it will “impose restrictions on future sales of foreclosed homes to firms that engage in abusive forms of seller financing — which includes selling homes on either rent-to-own leases or in long-term installment agreements known as contract for deed.” Fannie Mae also intends to begin reviewing how investors who buy more than 25 foreclosed home in a year are using them and will ask those investors to provide data about the homes, according to the article.

#### **Fannie Mae To Give Rate Break For Healthy Multifamily Buildings. (NATMORNW)**

The [National Mortgage News](#) (5/23, 34) reports that Fannie Mae will give below-market-rate financing to multifamily borrowers who incorporate healthy design features in their newly constructed or rehabilitated buildings through its Healthy Housing Rewards initiative. “Incorporating healthy design features in affordable multifamily properties can have a big impact on residents — from increasing physical activity and social interaction to reducing environmental triggers for asthma,” said Jeffery Hayward, Fannie Mae’s executive vice president for multifamily, adding, “When we strengthen the connection between affordable housing and the long-term health and stability of the people and families who live there, we help create more sustainable communities across the country.”

#### **Chicago Man Accused Of Stealing More Than \$10 Million Via Reverse-Mortgage Fraud. (CHIST, CHIT)**

The [Chicago Sun-Times](#) (5/23, Seidel, 798K) reports that Mark Diamond of Chicago, who “allegedly scammed more than 100 elderly homeowners on the city’s West Side out of more than \$10 million in equity, has been hit with federal fraud charges.” Diamond “allegedly lied and smooth-talked his victims into signing up for reverse mortgage loans he would find ways to benefit from, such as by putting liens on their properties for shoddy or imaginary repairs he claimed to have made.” The [Chicago Tribune](#) (5/23, Rosenberg-Douglas, 2.54M) says Diamond “is suspected of working with at least five co-conspirators...defrauding seniors by fraudulently obtaining home loans in their names and keeping the profits.”

### **HOUSING FINANCE AND INDUSTRY**

#### **New Home Sales Fall, But Housing Recovery Remains Intact. (REU, BLOOM)**

[Reuters](#) (5/23, Mutikani) reports that the Commerce Department revealed Tuesday that new home sales fell 11.4% to a seasonally adjusted annual rate of 569,000 units in the last month, as sales in the West plunged to their lowest levels in 1-1.5 years. According to the article, new home sales are “volatile on a month-to-month basis,” and economists believe mild weather has pulled sales forward into the first quarter. BMO Capital Markets senior economist Jennifer Lee said, “Demand for housing remains strong and the usual list of support factors hasn’t changed, with the key items being job growth and wage gains.” Reuters reports the housing market is being supported by a low unemployment rate and historically low mortgage rate.

[Bloomberg News](#) (5/23, Jamrisko, 2.41M) reports the broader housing picture “has remained bright with solid job growth and modest boosts to wages.” According to the article, the “real pace of demand is probably in between the march and April rates.”

#### **New York City May Remove Deposits From Wells Fargo Due To CRA Score. (NYDN)**

The [New York Daily News](#) (5/23, Durkin, 4.45M) reports New York City rules may require it to remove its deposits from Wells Fargo now that federal regulators have downgraded the bank’s CRA score to “needs to improve,” since the city’s rules require at least a “satisfactory” rating. The city’s Banking Commission “is set to meet May 31 to approve a new list of banks, a session that was originally scheduled for Tuesday and then postponed,” and Mayor Bill de Blasio and City Controller Scott Stringer “sit on the commission, along with Finance Commissioner Jacques Jiha.” In a statement, Stringer’s spokesman Tyrone Stevens said Wells’ unauthorized accounts scandal was “unacceptable – and there needs to be real accountability.”

#### **BofA, Wells, TD Bank Among Companies Investing In Blockchain Consortium R3. (REU, AMBNKR, WSJ)**

[Reuters](#) (5/23, Irrera) reports financial and technology companies led by Bank of America, HSBC, Intel, and Temasek Holdings have invested \$107 million in R3 CEV, a startup which runs a bank consortium seeking to develop blockchain technology. More than 40 institutions from more than

15 countries participated in the first two tranches of the startup's fundraising round. Among other banks involved are Wells Fargo, and TD Bank, reports [American Banker](#) (5/23, Crosman, Subscription Publication, 28K). The [Wall Street Journal](#) (5/23, Vigna, Subscription Publication, 6.37M) observes, however, that R3 has also lost some members, including Goldman Sachs, Morgan Stanley, and JPMorgan, the latter of which has been working on a distributed ledger of its own, partnering with a different banking consortium, the Enterprise Ethereum Alliance.

#### **Fidelity Investments CEO Urges Resolution To Blockchain Challenges. (REU, WSJ, BLOOM)**

[Reuters](#) (5/23, Irrera, Chavez-Dreyfuss) reports Fidelity Investments CEO Abigail Johnson said Tuesday that the company will allow its clients to see their holdings of Bitcoin and other virtual currencies held on the digital currency exchange Coinbase on the company's website. A Fidelity spokesman said the new initiative may be launched in the second or third quarter this year.

The [Wall Street Journal](#) (5/23, Krouse, Subscription Publication, 6.37M) reports Johnson said bitcoin and blockchain technology have a reasonable chance of thriving, but integrating the digital currency and its technology with traditional financial services is much more difficult than it seemed years ago. According to [Bloomberg News](#) (5/23, Willmer, Leising, 2.41M), Johnson said in prepared remarks at the Consensus 2017 conference in New York, "You are the community who will drive the future of this technology. I challenge you to start collaborating together – and I don't just mean with people that think like you – we need to be having hard conversations." She "told the gathering of the blockchain industry that her firm isn't giving up on digital currencies despite hurdles" and "pointed to several barriers to blockchain adoption, including limits of the technology, policy issues, control of the systems and customer usability."

#### **New Banks Increasingly Targeting Existing Banks To Acquire Deposit Insurance. (AMBNKR)**

[American Banker](#) (5/23, Prang, Subscription Publication, 28K) reports that joining "a growing list of bankers looking to raise capital to buy existing institutions rather than pursue a de novo strategy," Pennsylvania-based Advantage Bank, "which received preliminary charter approval from Pennsylvania's state banking regulator in November," plans "to acquire a bank rather than apply with the Federal Deposit Insurance Corp. for deposit insurance." Although "[t]he FDIC has become more accommodating with de novos lately, reducing the period of enhanced oversight from seven years to three years and hosting meetings to drum up interest in new charters," George Groves, slated to become Advantage's president and CEO, and Percival Moser III, set to become chairman, still find the process to be "too onerous." The acquisition of "an established bank would give Advantage immediate access to deposit insurance."

#### **Tom Price And Ben Carson Should Work Together To Address Housing Problems That Contribute To Poor Health. (POLITICO)**

Dr. Prabhjot Singh, the director of the Arnhold Institute for Global Health at Mount Sinai Health System, writes in an opinion piece in [Politico](#) (5/23, 2.46M) "The Agenda" blog that while working as a physician in East Harlem, he's learned that one of the most important questions he can ask his patients is, "Where do you live?" Singh explains that housing is a major concern for many of his patients and that "research has demonstrated that there's a strong relationship between safe and affordable housing and improved health." Singh argues that Secretary of Health and Human Services Tom Price and Secretary of Housing and Urban Development Ben Carson can work together to improve health and lower healthcare costs by addressing housing problems.

#### **Trump Budget Seeks Reform, Elimination Of Many HUD Programs. (HOUSEWR)**

[HousingWire](#) (5/23, Ramirez, 1K) reports the full budget proposal released on Tuesday night provides "insight" into the \$6.2 billion cuts to HUD, which HUD Secretary Ben Carson stated "reflects this administration's commitment to fiscal responsibility while continuing HUD's core support of our most vulnerable households." On deck for reform are the Housing Choice Voucher, Public Housing Operating/Capital Fund, Project-Based Rental Assistance, Housing for the Elderly, and Housing for Persons with Disabilities as the Administration seeks to increase flexibility and decrease regulatory burden, and the proposed budget would also eliminate programs supposedly not demonstrating significant community impact, including the Community Development Block Grant Program, Choice Neighborhoods Initiative, HOME Investment Partnerships Program, and the Self-Help Homeownership Opportunity Program. The Administration has referred the services provided by these initiatives to state and local governments in order to more optimally meet specific community needs.

#### **Budget Plan Could Set Stage For Work Requirements For Housing Subsidies. (WP)**

The [Washington Post](#) (5/23, Jan, 11.43M) says Trump's budget would make "the most dramatic cuts to the Department of Housing and Urban Development since President Ronald Reagan slashed the agency's funding in the early 1980s and leaves a wide opening for introducing work requirements for people who receive federal housing subsidies." According to the proposal, by 2019, HUD "plans to present more comprehensive changes that include a 'a path for work-able families to move toward self-sufficiency.'" However, the plan "does not offer further details about how work requirements, which would require statutory change, would be introduced."

#### **Trump Budget Would "Literally Let Hungry House-Bound Senior Citizens Starve."**

(NYDN)

The [New York Daily News](#) (5/23, Burke, 4.45M) reports that President Trump's "budget proposal would, if passed, literally let hungry house-bound senior citizens starve. The \$4.1 trillion budget sent by the White House to Congress on Tuesday proposes" to completely eliminate "federal funding for Meals on Wheels programs, which deliver meals to homebound senior citizens who can't buy or make their own food."

**White House Budget Envisions \$35 Billion In Savings From Dodd-Frank Rollback. (REU, HILL, AMBNKR)**

[Reuters](#) (5/23, Schroeder) reports President Trump's proposed FY 2018 budget "could save \$35 billion over the next decade" by rolling back Dodd-Frank regulations, with the Administration saying that an ongoing review of existing financial rules "will likely result in proposals that will provide significant savings to the federal government." Reuters notes that Treasury Secretary Steven Mnuchin is currently conducting a review of the impact of Dodd-Frank legislation, and an initial report with policy recommendations is expected in early June. Of note, the Office of Financial Research would see a 28 percent spending cut under the proposed budget.

[The Hill](#) (5/23, Lane, 1.25M) reports the budget does not specify which specific parts of the Dodd-Frank would be rolled back. "Like many targets set by the administration, the White House's expected \$35 billion in savings is ambitious, and beyond what many economists deem probable." The Congressional Budget Office "projected that the Financial CHOICE Act, the most sweeping potential changes to Dodd-Frank, would only save the U.S. \$24 billion."

Discussing the "four takeaways" from President Trump's first budget proposal, [American Banker](#) (5/23, McKendry, Heltman, Subscription Publication, 28K) identifies the virtual defunding of the CFPB, elimination of the Orderly Liquidation Fund – which "comes as little surprise," although Treasury Secretary Steven Mnuchin "said last week that he was not necessarily committed to eliminating" OLA – significant spending cuts "for several programs aimed at providing financial services and resources in underserved communities," and the fact that tax reform is not included. On the last point, the article says Mnuchin told a panel on Tuesday morning that the Administration "felt it was premature to put in any changes in the budget as a result of taxes, because we're not far enough along to estimate what that impact will be." On housing reform, American Banker notes Mnuchin "said during his testimony in the Senate Banking Committee last week that the president's priorities in the budget were to ramp up defense spending and cut domestic programs to offset that increase. 'While I share some of your concerns about the CDFIs, we had to look at this across a lot of different priorities,' Mnuchin said. 'It is an area where this market is mature and there is private capital that will come in and banks do lend.'"

**Administration Unveils Budget To Bipartisan Criticism. (ABC, NBC, NYT, HILL, POLITICO, USAT, WT, REU, CQRC, CNBC, MSNBC, AP, WSJ, MCT)**

Media coverage of the \$4.1 trillion budget proposal the Trump Administration sent to Congress on Tuesday is largely negative, focusing on the plan's spending cuts across a range of programs and highlighting the negative reaction from lawmakers in both parties. For example, in a brief report on [ABC World News Tonight](#) (5/23, story 9, 0:25, Muir, 14.63M), David Muir said the plan drew criticism from "lawmakers on both sides of the aisle," and Lester Holt said on [NBC Nightly News](#) (5/23, story 5, 1:55, Holt, 16.61M) that it is already "getting push-back from both sides." NBC's Casey Hunt added that the proposal "landed...in Congress with a thud."

On its front page, the [New York Times](#) (5/23, Kaplan, Subscription Publication, 13.9M) describes congressional Republicans' reaction to Trump's budget as "open hesitation," but adds that "it was not clear that they could come up with an alternative that could win over conservatives and moderates while clearing a path for the tax cuts and policies they have promised for years." The Times adds that the coming budget battle "mirrors the continuing health care fight, in which concessions to Republican moderates alienate conservatives, while overtures to conservatives lose moderate votes."

[The Hill](#) (5/23, Elis, 1.25M) reports that the Administration plan, which is titled, "A New Foundation for American Greatness," seeks "\$1.5 trillion in nondefense discretionary cuts and \$1.4 trillion in Medicaid cuts over the course of a decade, while adding nearly half a trillion dollars to defense spending." It would "dramatically reshape federal spending, cutting anti-poverty and safety net programs, but leaving Medicare and the retirement portion of Social Security untouched." [Politico](#) (5/23, Scholtes, Ferris, 2.46M) says the budget "breaks with Republican orthodoxy on domestic programs, funds programs he threatened to cut, increases spending where he called for less, and cuts parts of government he promised not to touch." Politico goes on to outline "the contradictions and unrealistic projections spattered throughout the lengthy budget proposal."

A [USA Today](#) (5/23, Today, 5.28M) analysis assesses the "winners and losers" in Trump's plan. Among the "winners," according to USA Today, are the Pentagon, Social Security and Medicare, border security, new parents, and school vouchers, while "losers" include farmers, the able-bodied poor, federal employees, tax reform, and the 2011 bipartisan budget agreement.

The [Washington Times](#) (5/23, Miller, 272K) says that the plan "puts numbers to President Trump's priorities, boosting military spending by 10 percent and slashing a slew of social welfare programs that the administration deemed a waste of money," but [Reuters](#) (5/22, Rampton) says it is "unlikely to be approved in its current form." While the "austere budget," which would "cut \$3.6 trillion in government spending over the next decade," is "not expected to survive on Capitol Hill,"



it nonetheless “puts numbers on Trump’s vision of a government that radically cuts assistance to lower-income Americans.”

[Roll Call](#) (5/23, McCrimmon, 63K) reports that during a White House briefing Tuesday, OMB Director Mulvaney, who will go to Capitol Hill this week “to try to sell” the plan, “framed the proposal as a ‘taxpayer first’ budget that would trim needless federal spending and reinvigorate the economy with massive tax cuts and deregulation.” Democrats, meanwhile, “slammed Trump’s plans to bulldoze domestic discretionary spending and cut social safety net programs like food stamps and health care for kids.” Yan Mui said on [CNBC’s Closing Bell](#) (5/23, 142K) that Senate Minority Leader Schumer called Trump’s budget “a meat cleaver to the Middle Class,” and Sen. Claire McCaskill predicted on [MSNBC’s Morning Joe](#) (5/23, 270K), “I think you’re going to see a lot of people push back on this budget. By the way, I anticipate that’s going to be bipartisan. ... I really don’t think there’s an appetite on either side of the aisle for this President’s budget.”

According to the [AP](#) (5/23, Taylor, Crutsinger), Trump also “drew rebukes...from some Republican allies for the plan’s jarring, politically unrealistic cuts to the social safety net for the poor and a broad swath of other domestic programs.” Senate Majority Whip Cornyn said the plan is “Basically dead on arrival.” Sen. Bill Cassidy said, “I don’t think the president’s budget is going anywhere.”

[Reuters](#) (5/23, Cowan) says that while Trump’s plans “to slash federal aid to the poor, the sick and people living in rural areas reflect conservatives’ demands for a smaller federal government,” they “target many of the very people who voted for him last November” and “could trigger a backlash for Republicans, complicating efforts to keep control of the U.S. Congress in the 2018 midterm elections.” According to Reuters, many GOP lawmakers, “seeing a budget they think will be tough to sell back home, greeted it warily.” Similarly, [USA Today](#) (5/23, Przybyla, 5.28M) reports that the plan “could be particularly punishing for the rural, working-class voters who overwhelmingly supported Trump.” According to USA Today, it “takes aim at programs used disproportionately by people without college degrees, who voted for Trump by six points, including food assistance, crop subsidies and education and job training.”

The [Wall Street Journal](#) (5/23, Davidson, Peterson, Andrews, Subscription Publication, 6.37M) also highlights the bipartisan pushback against the plan, and says that while House Freedom Caucus Chairman Mark Meadows praised the spending cuts, he expressed concern about the plan to reduce funding for Meals on Wheel. Meadows said, “Meals on Wheels, even for some of us who are considered to be fiscal hawks, may be a bridge too far.” [McClatchy](#) (5/23, Clark, 74K) says Trump may have given Republicans “leery of supporting him a great gift: a spending plan that calls for deep cuts to some of the country’s most popular programs – and one they can rail against.” McClatchy focuses on criticism of the plan from “vulnerable” Republicans, who are “up for election in congressional districts that Democratic presidential candidate Hillary Clinton won.” McClatchy cites of several examples, saying these lawmakers were “quick to denounce the plan, looking to contrast themselves with Trump.”

#### **Harker: Rate Hike Next Month A “Distinct” Possibility. (BLOOM, MRKWTWCH, REU)**

[Bloomberg News](#) (5/23, Boesler, Smialek, 2.41M) reports Philadelphia Fed President Patrick Harker “said June ‘is a distinct possibility’ for the U.S. central bank’s second interest-rate increase of 2017.” The Fed’s economic projections “suggest that policy makers expect two more increases this year. Harker, who made the comment to reporters following a speech in New York on Tuesday, voiced what investors have been thinking: fed funds futures pricing suggests that most expect a move when the Fed concludes its next meeting on June 14.” He said, “I continue to see three rate hikes for 2017 as appropriate.”

[MarketWatch](#) (5/23, Robb, 767K) reports in a speech to an MNI conference in New York, Harker also “said the central bank intends to make shrinking its balance sheet about as boring as ‘watching paint dry.’”

[Reuters](#) (5/23) also covers the topic.

#### **Kashkari Continues Dovish Caution Over More Rate Hikes. (REU)**

[Reuters](#) (5/23, Reuters) reports Minneapolis Fed President Neel Kashkari “said Tuesday that while the U.S. economy is closer now than it was in March to full employment, he still does not know ‘if we are there yet,’ and that the recent decline in core inflation is ‘concerning.’” He told reporters, “We are closer, but we don’t know how far the shore is.”

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**Sent:** Friday, May 24, 2019 8:39 AM EDT  
**To:** Greenwood, Sheila <Sheila.Greenwood@fhfa.gov>; Adcock, Cynthia <Cynthia.Adcock@fhfa.gov>  
**Subject:** FW: [EXT] Alert: Californian: Kushner Cos. gets \$800 million federally backed apartment loan  
FYI – this is a Freddie Mac loan. Just flagging in case anyone asks us about it.

*Jeannine Schroeder*  
*Federal Housing Finance Agency*  
*400 7<sup>th</sup> St SW*  
*Washington, DC 20219*  
*202.649.3029*

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**From:** Bloomberg Government <alerts@bgov.com>  
**Sent:** Thursday, May 23, 2019 10:38 PM  
**To:** Schroeder, Jeannine <Jeannine.Schroeder@fhfa.gov>  
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## Californian: Kushner Cos. gets \$800 million federally backed apartment loan

May 23, 2019 10:38PM ET | Californian

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**Subject:** FW: NAAHL Daily Download April 20, 2018  
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**Sent:** Friday, April 20, 2018 4:57 PM  
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April 20, 2018

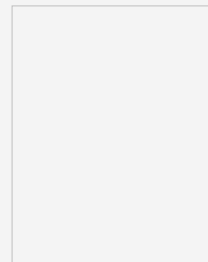
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### FEATURE

#### Prepared Remarks of Melvin L. Watt, Director of FHFA at NAMMBA - Connect 2018

*National Association of Minority Mortgage Bankers of America  
(NAMMBA), Atlanta, GA, April 13, 2018*

Thank you for inviting me to speak to this second national conference organized by the National Association of Minority Mortgage Bankers of America (NAMMBA). I understand that this conference has grown substantially over the first one you convened last year and I am pleased that you asked me to be a part of your discussions.



Melvin L. Watts

I'm especially pleased that NAMMBA has two important missions, both of which I fully support and to which I have devoted substantial time and effort:

- Increasing the inclusion and engagement of minorities and women in the mortgage industry, and
- Preparing minorities and women to demonstrate a high level of professionalism and commitment to promoting sustainable homeownership.

I am pleased to say that I believe that more and more industry participants are also coming to the realization that these objectives are important. So I applaud the fact that the Mortgage Bankers Association has been a valued partner in supporting and encouraging the success of your organization and this annual conference as vehicles for enhancing the industry's commitment to these objectives.

[Click here to read more.](#)

### POLICY

**Opportunity Zones:** [Treasury Designates Opportunity Zones for Five States, One Territory](#)

**Tax Reform:** [Addressing the Opportunity Gap--How the Tax Cuts and Jobs Act Affects People and Places](#) -- NAAHL member LISC co-hosted the event.

**Congress:** [Waters Introduces Legislation to Prevent FHA Foreclosures](#)

**Federal Reserve:** [Fed's Quarles--30-Year Fixed-Rate Mortgage 'Probably' Doesn't Need Government Backstop](#)

**Federal Reserve:** [Fed's Brainard Says Now Isn't Time to Lower Capital, Liquidity Rules](#)

**CFPB:** [Wells Fargo to Pay \\$1 Billion to Settle Risk Management Claims](#)

**Housing:** [Democrats' Housing Problem](#)

**Washington, D.C.:** [D.C. Announces \\$2M Affordable Housing Fund for Nonprofit Developers](#)

## PRACTICE

**Fannie Mae:** [Video--The Fight for Fair Housing Continues](#)  
**Mortgages:** [Here's Where to Find Some Good News for Mortgage Lenders](#)  
**Fair Housing:** [Segregation's Legacy](#)  
**Philadelphia:** [Why 1 in 14 Philly Renters Faces Eviction Every Year](#)  
**New York:** [Kushner Cos. Subpoenaed for Information Related to Housing Filings](#)

## DATA/RESEARCH

**Housing:** [Does Homeownership Really 'Drive' the Black-White Wealth Gap?](#)  
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**To:** Calabria, Mark A. <docmac@fhfa.gov>  
**CC:** Greenwood, Sheila <Sheila.Greenwood@fhfa.gov>; Roscoe, John <John.Roscoe@fhfa.gov>  
**Subject:** Fwd: [EXT] Compass Point: The Week Ahead in Financial Policy – May 20 to 24, 2019

Director - Take note of Craig's comment below suggesting the view that taxpayers have been repaid for the bailout of the GSEs. I could see you get a question on this today. My initial view is this is a matter for Treasury, not FHFA.

Adolfo Marzol

Begin forwarded message:

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Flash Note - Industry

May 20, 2019

## Washington Policy

### *The Week Ahead in Financial Policy – May 20 to 24, 2019*

Isaac Boltansky  
202.534.1396  
[iboltansky@compasspointllc.com](mailto:iboltansky@compasspointllc.com)

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#### Highlights

**Week Ahead.** We discuss the following issues in this edition of our weekly policy note: (1) the White House infrastructure meeting on Wednesday; (2) the multitude of mortgage policy developments in recent days; (3) California's rate cap legislation; (4) the House's consideration of retirement savings legislation; and (5) Ginnie Mae's non-bank liquidity report. Please also see below for a compilation of notable quotes from the weekend and a full calendar for the week ahead.

**INFRASTRUCTURE: White House Meeting on Infrastructure This Wednesday, but We Remain Bearish.** On Wednesday, President Trump will meet with Speaker Pelosi and Minority Leader Schumer to discuss infrastructure legislation. Although the headlines will persist, we remain fundamentally bearish on the prospects of this Congress clearing a sizable infrastructure spending bill given the conceptual chasm between Democrats and Republicans over how to pay for the new spending. Republicans have generally embraced a public-private partnership concept that Democrats believe will leave public infrastructure projects at a structural disadvantage. Democrats broadly support infrastructure spending, but their current tactical stance – which includes a focus on climate change and the GOP tax law's "massive mammoth tax break to big corporations and the already wealthy" – reinforce our bearishness. We offer the following thoughts on the infrastructure spending effort at this stage: (1) we remain bearish on the prospects of a multi-trillion dollar bipartisan infrastructure bill, pegging the odds during this Congress as ~10%; (2) the window for substantive legislating in this Congress is rapidly closing as the August recess is viewed by most as the de facto deadline for moving meaningful legislation outside the appropriations process; (3)

the political climate in Washington will only worsen in the near-term given ongoing investigations and the gravitational pull of the 2020 election; (4) there is simply no conceptual agreement on the budgetary offsets for this proposal, which we believe represents a hurdle too high to clear; and (5) although we are bearish on the broader infrastructure spending effort, we do expect positive headlines in the near-term and targeted increases to existing programs (e.g., HMTF, NextGen Aviation) during the appropriations process.

**MORTGAGE: Treasury Official States That GSEs Have Repaid Taxpayers.** During an event at GMU on May 16, Treasury counselor Craig Phillips said the following regarding the GSEs: “There is an opportunity here also to protect the taxpayer...the taxpayer’s actually been, in some ways, in many ways repaid from the bailout of Fannie and Freddie. We’ve kind of got to turn the page and fix it to move on.” As a reminder, the Preferred Stock Purchase Agreements (PSPAs) require the GSEs to send every dollar above their \$3B capital buffers to the Treasury Department in the form of a dividend. Consequently, although the GSEs have sent the Treasury Department over \$100B more than borrowed – and satisfied the 10% annual rate set at the outset of the conservatorship – the liquidation preference of the Treasury’s senior preferred stock is unchanged. We highlight the following points relating to Mr. Phillips’ comments: (1) to the best of our recollection, this is the first instance of a sitting administration official stating that the taxpayer has been repaid for its GSE intervention; and (2) acknowledging GSE repayment is a significant milestone – if only from a conceptual perspective – as the government’s senior preferred stock in the GSEs has been concrete on top of the capital stack. While the Trump administration’s precise prescription for its GSE holdings is unclear at this stage, we view Mr. Phillips’ statement regarding repayment as a consequential mile marker in the Trump administration’s push to end the GSE conservatorships.

**MORTGAGE: President Trump Offers Supportive Comments for GSE Reform Effort.** During his appearance at the National Association of Realtors (NAR) conference on May 17, President Trump described the need for GSE reform as a “pretty urgent problem.” The president then announced that there are “many geniuses looking at it and we’ll figure something out.” Finally, the president stated that his administration has “incredible talent from Wall Street coming in...[w]e actually call on very smart people... I want to get people that do this and one that welcomes the private sector, competition, protects taxpayers, and preserves homeownership for future generations to come.” We were left with the following takeaways from President Trump’s speech at the NAR conference: (1) the president’s GSE reform comments serve as another signal of the Trump administration’s conceptual commitment to ending the conservatorships; (2) President Trump said he will be “working closely with Congress” on mortgage finance reform, but he stated a willingness to take “administrative actions” in the future; and (3) it is unclear what the president was referring to when he mentioned “incredible talent from Wall Street,” but we view the involvement of financial professionals – whether in the form of advisers or bankers – as a positive for GSE shareholders.

**MORTGAGE: Takeaways from FHFA Director Calabria’s NAR Appearance.** On May 14, FHFA Director Calabria was interviewed at the NAR conference in D.C. We were left with the following takeaways: (1) Director Calabria’s focus on capital is fundamental, which reinforces our belief that the Net Worth Sweep will end this year and an effort to raise capital will follow; (2) Director Calabria restated his intent to negotiate with the Treasury Department in order to end the Net Worth Sweep, which suggests that action on that front will come in the fall; (3) given the focus on ending the GSE conservatorships, Director Calabria noted the importance of strong supervision and transparency; (4) we continue to believe that Director Calabria will advance targeted footprint reduction at the GSEs, but his comments suggested that the decisioning framework would be predicated more on risk and profitability than fidelity to the core mission; (5) Director Calabria decided against using this forum to advocate for a higher minimum down payment, but he did focus on the perils of risk-layering (e.g., loans with high LTVs, low FICOs, high DTIs); (6) there will be a meeting at some point in the future between Director Calabria and HUD/FHA to consider a more holistic approach to market segmentation and service; (7) Director Calabria once again stated that he would follow the statute’s formula on setting the conforming loan limit, but we caution that there are alternative methods for reducing GSE exposure to jumbo conforming loans (e.g., targeted pricing increases); and (8) Director Calabria restated his goal of ending the GSE conservatorships, but noted that doing so would be objective-based rather than calendar-based.

**MORTGAGE: Craig Phillips, Top Treasury Staffer, to Depart.** On May 16, the *NYT* reported that Craig Phillips – a top counselor to Treasury Secretary Mnuchin – would leave his post next month. During his tenure, Phillips spearheaded the Treasury Department’s regulatory realignment reports, which were generally viewed as thoughtful analyses, and played a pivotal role in nearly every domestic finance workstream over the past two years. Given Phillips’ prominence and competence, his departure is a modest headwind for ongoing policy initiatives including the Trump administration’s push to end the GSE conservatorships. In considering the Trump administration’s effort to end the GSE conservatorships, we have noted two key hurdles: political will and technical execution. Recent commentary by Trump administration officials and FHFA Director Calabria demonstrate a clear political commitment to the effort, at least at this stage in the process. The technical execution – which encompasses everything from resolving the Treasury Department’s GSE holdings to raising new capital – remains an open question that we believe Phillips was uniquely qualified to help answer. We offer the following additional thoughts on this development: (1) we still expect the Trump administration’s mortgage finance reform report in June/July, although that timeline is admittedly fluid in light of Phillips’ departure; (2) it is unclear who will take Phillips’ policy portfolio at this time, especially given that the Treasury Department is already short-handed at the senior level; (3) Treasury Secretary Mnuchin is likely to become more involved in the GSE policymaking process as it continues, but his day-to-day engagement on the issue may be limited given



that he already has oversight of a sprawling bureaucracy and a seat at the table in trade talks; (4) since Phillips was seen as a power center in the mortgage policy ecosystem, his departure bolsters FHFA Director Calabria's already central role in the policymaking process; and (5) we continue to expect a genuine push to end the GSE conservatorships, but the next mile marker to watch will be the release of the Trump administration's reform blueprint in the weeks ahead.

**MORTGAGE: Takeaways From Director Calabria's *Politico* Interview.** On May 17, *Politico* released an interview with FHFA Director Calabria. We were left with the following takeaways: (1) the next amendments to the PSPAs – which are expected in the fall – will be used to “hardwire improvements into the process,” which can cover an array of topics; (2) Director Calabria once again explained that the GSE loan limits are set in statute, but he noted that as conservator he would “do things that are consistent with safety and soundness,” which we believe could result in tangential restrictions; (3) Director Calabria is reviewing the EPMI/IMAGIN pilots, but he did not signal an opinion during this interview; (4) given the interest in raising private capital, there are specific questions regarding the legal mechanics, investor demands, and the overarching order of operations; and (5) Director Calabria was asked about the Treasury Department's existing ~\$250B credit line for the GSEs and appeared to downplay the importance of a federal backstop, which we view as both politically and operationally disquieting.

**MORTGAGE: MBA Secondary Conference This Week.** The Mortgage Bankers Association (MBA) will hold its secondary market conference in New York this week. Notable speakers include: (1) FHFA Director Calabria on Monday at 1:30pmET; (2) Ginnie Mae President Maren Kasper at 9:00am on Tuesday; (3) Acting HUD Deputy Secretary Brian Montgomery at 9:00am on Tuesday; and (4) CoreLogic's Pete Carroll and Genworth's Duane Duncan discussing the future of the Qualified Mortgage rule on Tuesday at 3pm.

**CONSUMER LENDING: California Lending Cap Bill Set to Clear Assembly, Battle Moves to Senate.** The California Assembly is expected to clear AB539, which would cap the interest rate on certain consumer loans, later this month. The battle will then move to the California Senate, where the bill's fate will be decided. As a reminder, AB539 would amend the California Financing Law (CFL) to cap the interest rate on consumer loans with balances between \$2,500 and \$10,000 at 36% plus the Federal Funds Rate. The CFL does not have a rate cap for loans with balances between \$2,500 and \$10,000.

- **High Level Thoughts on Impact.** If AB539 is enacted, we would view it as an unambiguous positive for pure-play installment lenders that generally operate near or below the proposed ~36% interest rate cap. According to 2017 data, AB539 would have covered roughly \$1.4B in lending volume. If AB539 is enacted, we would expect some portion of the ~\$1.4B in consumer lending volume to flow from higher-rate online lenders (e.g., CURO) to installment lenders already operating at or near the proposed rate cap (e.g., OneMain). If AB539 fails, the entire small dollar lending industry could face a far more onerous policy shift as the issue could be taken to the ballot in 2020.
- **Likelihood of Passage.** AB539 is expected to clear the California Assembly this month and it will then move to the California Senate, where its fate is less certain. There is likely to be a Senate hearing in early June, which will play a pivotal role in determining the bill's future. Advocates will focus on allaying access fears and contouring the potential benefit to certain borrowers. On the other hand, opponents will concentrate on the bill's impact on credit availability. We believe the odds of AB539 becoming law currently stand at 40%, but the upcoming Senate hearing will determine its fate.

**BANKS/MORTGAGE: Capital Simplification Rule Impacting MSRs Coming In A “Few Weeks.”** In her prepared remarks for testimony before the Senate Banking Committee on May 15, FDIC Chair McWilliams announced that the “capital simplification rule” would be finalized “in the next few weeks.” As a reminder, in the fall of 2017 prudential regulators proposed simplifying the capital regime for certain regional and community banks, which included a softening of the capital treatment of mortgage servicing rights (MSR). Under the current construct, there is a 10% individual limit and a 15% combined limit for the three specific exposures subject to CET1 threshold deductions: mortgage servicing assets, DTAs not realizable through carryback, and investments in the capital of unconsolidated financial institutions. The proposal would materially lessen this burden by: (1) raising the individual caps for MSAs and DTAs to 25% from 10%; and (2) ending the combined limit. In both current practice and under the proposal, exposures greater than the thresholds are assigned a 250% risk weight.

**MORTGAGE: Ginnie Mae Released Update on Non-Bank Liquidity Reviews.** On May 17, Ginnie Mae released a [report](#) outlining takeaways from its issuer liquidity meetings. As a reminder, Ginnie Mae held meetings with its top 13 non-bank issuers – which represent 75% of the non-bank Ginnie Mae securities outstanding and 50% of the single family portfolio – to consider liquidity dynamics. Ginnie Mae offered the following takeaways from the meetings: (1) Ginnie Mae found that the current situation in the non-bank channel “appears healthy,” but noted that was expected given the economic environment; (2) the meetings underscored the heterogeneous nature of the non-bank issuer models; (3) although depositories have limited their direct lending activity in the mortgage market, depositories “remain a pivotal part of the” ecosystem by providing issuers with warehouse lines, etc; (4) Ginnie Mae's “paramount concern is the quality of the individual Issuer MSR portfolios” that serve as the collateral for its guaranty, which underscores the need for valuation vigilance; and (5) Ginnie Mae called for governmental collaboration to properly oversee liquidity in the market. We continue to believe that the suite of ongoing counterparty risk mitigation efforts – including its issuer stress tests and the resulting

policy changes – will likely lead to additional requirements and operational pressure on certain non-bank issuers/servicers. From a timing perspective, there will be additional details released in the “Ginnie Mae 2020” progress report this summer and their Summit will be held in Washington on June 13-14.

**RETIREMENT: House to Consider and Clear Retirement Savings Bill.** The House is expected to consider and clear legislation known as “The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019.” At its core, The SECURE Act would increase the required age for tax-deferred retirement account withdrawals to 72 from 70.5, remove the 70.5 age cap for contributing to IRAs, promote the offering of annuities in 401(k) plans, and remove hurdles for smaller firms to offer 401(k) plans. We believe the odds favor enactment of the SECURE Act given its bipartisan support, industry alignment, and broader concerns regarding the retirement savings gap. There are numerous estimates of the retirement savings gap, but a recent World Economic Forum analysis estimated that the retirement savings gap in the United States was \$28 trillion.

## NOTABLE QUOTABLE

- **MBA Warns on QM Patch Expiration.** “This particular exemption is known as the GSE QM patch. This patch is scheduled to expire in January 2021. To be sure, in the long run, it is preferable to do away with the patch so as to provide a more level playing field between GSE and non-GSE loans. Simply allowing the patch to expire without any reforms, however, could be catastrophic.” – MBA President/CEO Bob Broeksmit
- **Thanks, Boomers.** “In some important ways, my generation has failed you...We have spent too much time debating, we have been too focused on the fight, and not focused enough on progress.” – Apple CEO Tim Cook, a Boomer talking to Gen Z, at the Tulane University commencement on May 18, 2019
- **Trade Tension and Trade Truces.** “With U.S.-China trade talks at an impasse, President Trump moved Friday to tackle festering trade disputes with U.S. allies and North American neighbors... The auto-tariff delay and the removal of metal duties on North American neighbors will silence some of the loudest criticism the Trump administration has faced from its own party.” – *WSJ* article on May 17
- **Cheerful Commencement.** “Billionaire Robert F. Smith, who received an honorary doctorate at Morehouse College’s Sunday morning graduation exercises, had already announced a \$1.5 million gift to the school...But during his remarks in front of the nearly 400 graduating seniors, the billionaire technology investor and philanthropist surprised some by announcing that his family was providing a grant to eliminate the student debt of the entire Class of 2019.” – *Atlanta Journal Constitution* on May 19
- **Trade War and Farmers.** “The trade war is already reverberating through American agriculture, as farm exports to China plunged from \$19.6 billion in 2017 to \$9.2 billion last year. Overall, U.S. farm income dropped 16% last year to \$63 billion, about half the level it was as recently as 2013.” – *Bloomberg* article on May 14
- **Democratic Drama.** “One risk for Democrats is that, with so many candidates and so many voices, side debates distract from core issues and unifying messages. The debate over reparations sparks passions within the Democratic base but is not an issue high on the list of most voters who will determine who is the next president. The same is even more true of the issue of whether violent felons, terrorists or sexual predators should be allowed to vote while in prison, a topic recently injected into the Democratic conversation by Sanders...These kinds of debates provide ammunition to Trump and his reelection team.” – May 18 *Washington Post* article by Dan Balz
- **JP Morgan’s Health Care Payments Move.** “JPMorgan Chase on Friday agreed to purchase healthcare payments and billing processor InstaMed for over \$500m, the bank’s biggest acquisition since the height of the financial crisis...The deal will bolster the bank’s payments division and push it into what it said was one of the fastest growing areas of the business of moving money throughout the financial system. JPMorgan already processes more than \$6tn of payments a day. Over the next decade spending on healthcare is projected to nearly double to \$6tn from \$3.5tn in 2017.” – *FT* article on May 17
- **Biden’s Bet.** “Biden’s campaign is a bet: that in the four years since Trump launched his campaign, the country hasn’t changed, the Democratic Party hasn’t changed, and politics hasn’t changed.” – *Atlantic* article on May 19
- **Wall Street Goes Long Trailer Parks.** “Large private equity funds...have gone long on trailer parks. Institutional investors accounted for 17 per cent of the \$4bn in sector transactions in 2018, up from 9 per cent of \$1.2bn transactions in 2013...For investors, trailer parks are cash cows. They offer relatively strong and steady returns of 4 per cent or more — around double the average US real estate investment trust return.” – *FT* article on May 19
- **Deutsche Bank.** “Anti-money laundering specialists at Deutsche Bank recommended in 2016 and 2017 that multiple transactions involving legal entities controlled by Donald J. Trump and his son-in-law, Jared Kushner, be reported to a federal financial-crimes watchdog...But executives at Deutsche Bank, which has lent billions of dollars to the Trump and Kushner companies, rejected their employees’ advice. The reports were never filed with the government.” – *NYT* article on May 19
- **Reality Check.** “The diminishing [heroin] supply should be a victory for public health and law enforcement alike. Instead, in cities like Baltimore, longtime users who managed to survive decades injecting heroin are now at far higher risk of dying from an overdose. That is because synthetic fentanyl, a deadlier drug that is much cheaper to produce and distribute than heroin, has

all but replaced it.” – *NYT* on May 18

- **Student Loans.** “A little-noticed provision in President Trump’s sprawling new tax law is treating middle- and low-income college students as if they are trust-fund babies, taxing sizable financial aid packages at a rate first established 33 years ago to prevent wealthy parents from funneling money to their children to lower their tax burdens...Higher-education leaders are calling on Congress to fix the provision, which drastically raised the tax rate on so-called unearned income for children with assets and young adults in school. Students with large financial aid packages are finding their nontuition assistance for items such as room and board taxed by as much as 37 percent, even if their family income tax rates are much lower.” – *NYT* on May 17
- **Who Gets the Farm Bailout?** “A tenth of US farm operators have received more than half the money from a federal bailout designed to offset the costs of the Trump administration’s trade battles...The government had doled out \$8.5bn ahead of last Friday’s application deadline for farmers.” – *FT* article on May 19

## CALENDAR FOR THE WEEK AHEAD

### Monday, May 20

- 9:30am: Philly Federal Reserve President Patrick Harker speaks
- 1:00pm: FRBNY President John Williams speaks
- 1:05pm: Federal Reserve Vice Chair Richard Clarida speaks
- 7:00pm: Federal Reserve Chairman Powell speaks

### Tuesday, May 21

- 9:00am: AEI event titled, “The theft of a decade: How the baby boomers stole the millennials’ economic future”
- 10:00am: Existing home sales
- 10:00am: House Financial Services Committee hearing with HUD Secretary Carson
- 10:00am: House Judiciary Committee holds a hearing with former White House Counsel Don McGahn
- 10:00am: House Small Business subcommittee hearing on the SBA’s Community Advantage Loan Program
- 10:00am: Senate Judiciary Committee hearing titled, “Understanding the Digital Advertising Ecosystem and the Impact of Data Privacy and Competition Policy”
- 10:00am: Senate Banking Committee hearing titled, “Combating Illicit Financing By Anonymous Shell Companies Through the Collection of Beneficial Ownership Information”
- 10:45am: Chicago Federal Reserve President Charlie Evans speaks
- 12:00pm: Boston Federal Reserve President Eric Rosengren speaks

### Wednesday, May 22

- WED: President Trump expected to meet with Speaker Pelosi and Minority Leader Schumer to discuss infrastructure spending
- 1:00am: St. Louis Federal Reserve President James Bullard speaks
- 7:00am: MBA mortgage applications
- 9:00am: House Financial Services Committee hearing with Treasury Secretary Mnuchin
- 10:00am: House Ways and Means subcommittee hearing on USMCA enforcement
- 10:10am: Atlanta Federal Reserve President Raphael Bostic speaks
- 2:00pm: FOMC minutes released (4/30 – 5/1 meeting)
- 2:00pm: House Oversight and Reform subcommittee hearing on for-profit colleges
- 2:30pm: Senate subcommittee hearing on the SBA’s Office of Advocacy

### Thursday, May 23

- 8:30am: Jobless claims
- 10:00am: New home sales report
- 12:00pm: Compass Point’s Ginnie Mae lunch in New York
- 1:00pm: Dallas Federal Reserve President Robert Kaplan speaks
- 1:00pm: Richmond Federal Reserve President Tom Barkin speaks
- 1:00pm: Atlanta Federal Reserve President Raphael Bostic speaks
- 1:00pm: FRBSF President Mary Daly speaks

### Friday, May 24

- 8:30am: Durable goods orders report

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**From:** Roscoe, John <John.Roscoe@fhfa.gov>  
**Sent:** Friday, February 22, 2019 6:56 PM EST  
**To:** Otting, Joseph <Joseph.Otting@fhfa.gov>  
**Subject:** Fwd: Bberg: Kushner Cos. Said to Seek Federal Loan in Biggest Deal in Decade

Begin forwarded message:

**From:** "Russell, Corinne" <[Corinne.Russell@fhfa.gov](mailto:Corinne.Russell@fhfa.gov)>  
**Date:** February 22, 2019 at 6:40:15 PM EST  
**To:** !OCAC <[OCAC@fhfa.gov](mailto:OCAC@fhfa.gov)>, "Roscoe, John" <[John.Roscoe@fhfa.gov](mailto:John.Roscoe@fhfa.gov)>, "Ryan, Bob" <[Bob.Ryan@fhfa.gov](mailto:Bob.Ryan@fhfa.gov)>, "Fishman, Robert" <[Robert.Fishman@fhfa.gov](mailto:Robert.Fishman@fhfa.gov)>  
**Subject:** Bberg: Kushner Cos. Said to Seek Federal Loan in Biggest Deal in Decade

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## [Kushner Cos. Said to Seek Federal Loan in Biggest Deal in Decade](#)

- Fannie Mae, Freddie Mac, Kushner Cos. have been in loan talks
- Debt would fund \$1.15 billion Maryland, Virginia apartments

By Lily Katz, David Kocieniewski and Caleb Melby | February 22, 2019 06:32PM ET | Bloomberg Government

Kushner Cos., the real estate firm owned by the family of President Donald Trump's son-in-law Jared Kushner, has sought financing from federally-owned lenders for its biggest purchase in a decade.

The company has been in talks with Fannie Mae and Freddie Mac about a loan for a \$1.15 billion [purchase of apartments](#) in Maryland and Virginia, according to two people familiar with the discussions, who asked not to be named discussing a private transaction.

Such a deal would increase Kushner Cos.' exposure to government-backed mortgages at the same time its former chief executive officer is one of the most powerful people in the White House. Jared Kushner divested ownership in many of the company's assets to close family members when he joined the government. Kushner Cos. had [more than \\$500 million](#) in loans from Fannie and Freddie at that time. Government-backed financing on this latest deal could more than double that figure.

Spokesmen for both Fannie and Freddie said they had no information to share. Peter Mirijanian, a spokesperson for Jared Kushner's attorney Abbe Lowell, said that Kushner has no involvement in the company's management.

### **'Walled Off'**

"As part of an ethics agreement he has and has followed, Mr. Kushner has had no role in the Kushner Companies or its activities since joining the government over two years ago," Mirijanian said. "He is walled off from any business or investment decisions and has no idea or knowledge of these activities."

Laurent Morali, Kushner Cos.' president, Emily Wolf, the company's general counsel, and Karen Zabarsky, a company spokeswoman, didn't respond to multiple requests for comment.

President Trump appointed Joseph Otting to oversee the Federal Housing Finance Agency, which regulates Fannie and Freddie. Otting previously served as CEO of OneWest Bank, founded by now-Treasury Secretary Steven Mnuchin, an ally of Kushner's in the West Wing.

Kushner Cos.' latest deal is for 6,030 apartments across 16 properties in Maryland and Virginia from private equity firm Lone Star Funds, according to a representative for Michael Campbell of the Carlton Group, a real estate investment bank which is helping to arrange financing for the deal.



## Lenders' Concerns

Both lenders discussed funding the acquisition last year, according to people familiar with the matter.

Even lenders that aren't owned by the government have fretted about exposure to the White House. Executives at Deutsche Bank, the largest of the Trump Organization's lenders, considered extending the terms of loans issued to the president's company, Bloomberg reported Wednesday.

[Deutsche Bank Weighed Extending Trump Loans on Default Risk](#)

Officials at the German bank feared a public-relations nightmare would ensue if ever they found themselves in the position of having to collect on a sitting president. Government ethicists have raised similar concerns about Kushner Cos. and the federal agencies, for fear of the complications that could arise from refinancing or foreclosure scenarios.

The purchase from Lone Star is the latest sign that Kushner Cos. is returning to its roots as an owner of suburban properties. It sold almost \$2 billion of apartments in 2007 to help finance the purchase of 666 Fifth Ave. The company set a record with the \$1.8 billion purchase of the 41-story Manhattan office tower, which was then plagued by outsized debt payments for more than a decade. Kushner Cos. reached a deal to sell a 99-year lease on 666 Fifth to [Brookfield Asset Management Inc.](#) last year, and has been pivoting back to the sprawling multifamily complexes that Charlie Kushner, Jared's father, built his fortune on. In 2017, Kushner Cos. teamed up with Israel-based Psagot Investment House to buy Quail Ridge, a 1,032-unit complex in Plainsboro, New Jersey, that the Kushner family had owned until a 2007 sale. This past April, the firm bought the 360-unit Prospect Place in Hackensack, New Jersey.

--With assistance from Patrick Clark and Shahien Nasiripour.

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**From:** Johnson, Stefanie (Mullin) <Stefanie.Johnson@fhfa.gov>  
**Sent:** Friday, February 17, 2017 7:31 AM EST  
**To:** !OCAC <!OCAC@fhfa.gov>  
**Subject:** Fwd: Alert: Kushner's Use of U.S.-Backed Apartment Loans Poses Conflict Risk

Joe L story

Sent from my iPhone

Begin forwarded message:

**From:** Bloomberg Government <[alerts@bgov.com](mailto:alerts@bgov.com)>  
**Date:** February 17, 2017 at 5:00:15 AM EST  
**To:** <[stefanie.johnson@fhfa.gov](mailto:stefanie.johnson@fhfa.gov)>  
**Subject:** Alert: Kushner's Use of U.S.-Backed Apartment Loans Poses Conflict Risk



## Kushner's Use of U.S.-Backed Apartment Loans Poses Conflict Risk

February 17, 2017 05:00AM ET | Bloomberg Government

(Bloomberg) -- Jared Kushner relinquished control of his family's multibillion-dollar real-estate business in January to eliminate conflicts of interest when he became a top White House adviser to his father-in-law, President Donald Trump.

Yet [Kushner Cos.](#) has apartment buildings from New Jersey to Maryland with more than \$500 million in government-backed mortgages financed by [Fannie Mae](#) and [Freddie Mac](#). That could put officials at those agencies in an awkward spot: If Kushner Cos. applies for a new loan, or wants to refinance, would Freddie turn them down? If Kushner Cos. fails to comply with the terms of a loan, will Fannie seek to foreclose on a property owned by the president's in-laws?

"It clearly represents a conflict-of-interest because the government or the president can take actions that would benefit his family," said David Reiss, a professor at Brooklyn Law School who has written about issues related to Fannie and Freddie.

Hope Hicks, a White House spokeswoman, said Kushner would comply with applicable ethics rules and would recuse himself from any discussions about overhauling Fannie and Freddie, which lawmakers have sought to do in recent years. [Jamie Gorelick](#), an attorney who has represented Jared Kushner, didn't respond to a request for comment.

Kushner Cos. says Jared's White House position won't have any effect on the family business. "The election has not changed Kushner Companies' relationship with Fannie Mae and Freddie Mac," said Kushner Cos. spokesman James Yolles. "And we will respond to policy changes like any other private company in the marketplace."

The federal government took over Fannie and Freddie in 2008, amid the financial crisis, putting them under the control of the Federal Housing Finance Agency, an independent regulator.

### **Presidential Appointee**

The FHFA is run by [Mel Watt](#), appointed by former President [Barack Obama](#). Watt's term ends in 2019, at which point Trump will pick a successor, though it's possible the president could try to remove Watt from office before then. FHFA spokesman Peter Garuccio declined to comment on potential conflicts, as did spokesmen for Fannie and Freddie.

Kushner's possible conflicts have drawn less attention than those of Trump. A team of ethics and legal specialists filed a lawsuit last month accusing the president of violating the Constitution by allowing his hotels and other businesses to take money from foreign governments. Trump has said he transferred control of his business to a trust managed by his eldest sons and a longtime associate to avoid any conflicts.

The [Trump Organization](#) mostly own hotels and office buildings that don't qualify for Fannie and Freddie loans. Trump last year reported holding a 4 percent stake in Starrett City, an affordable housing development in Brooklyn that has \$399 million in outstanding loans financed by Freddie, according to data compiled by FHFA-19-0753-A-000284

Bloomberg. The company didn't respond to an e-mailed request for comment.

New York-based Kushner Cos., built by Kushner's father, Charles, owns buildings with more than 20,000 apartments, and 13 million square feet of commercial space. Kushner, 36, took over the company after his father was convicted in 2005 of crimes including witness tampering and tax evasion. Charles Kushner served more than a year in prison.

During Kushner's tenure leading the company, he oversaw the acquisition of 11 properties and three refinancings funded by \$581 million from Fannie and Freddie, according to real-estate data firm Real Capital Analytics. Real Capital includes in its loan tallies any buildings for which records show Kushner Cos. has an ownership stake.

About \$568.8 million is outstanding on those Fannie and Freddie loans, according to data compiled by Bloomberg.

Among the outstanding mortgages: Kushner Cos. in 2015 refinanced a 124-unit complex called Skyline Terrace in Hasbrouck Heights, New Jersey, with a \$15 million Freddie-backed loan. The complex, made up of squat two-story brick buildings within commuting distance of Manhattan, this month advertised a 500-square-foot, one-bedroom apartment for \$1,173 a month.

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When Kushner stepped down from the company in January, he turned over control to his father and President Laurent Morali.

Kushner, who in 2009 married Trump's eldest daughter, Ivanka, served as a key confidant during the president's campaign while continuing to run the business.

The couple moved to Washington after the election and he has resigned as chief executive of Kushner Cos. Kushner isn't collecting a salary in his position as senior adviser to Trump.

Gorelick said in January that Kushner would sell his interest in 35 investments, with some going to his mother and brother. Kushner would recuse himself from decisions that could affect properties he continues to own, Gorelick said.

Yolles declined to comment on whether Kushner still owns stakes in buildings with Fannie or Freddie financing.

Fannie and Freddie don't issue mortgages directly to borrowers. Instead, they buy them from lenders.

## Setting Rates

Before loans are issued for large or unusual deals, representatives of Fannie set interest rates and review borrowers' applications that are submitted to the lenders. They don't do that for smaller, routine loans.

Freddie, however, examines all applications submitted to the lender, including scrutinizing the appraisal and applicant's history of payments on other loans. Depending on the review, Freddie representatives could adjust the interest rate quoted by the lender.

If Kushner Cos. fails to make Fannie-backed loan payments on time or violate other terms, Fannie employees would determine whether to foreclose. Fannie backs about \$142.3 million of the outstanding loans.

In the case of Freddie, which backs about \$426.5 million of the outstanding loans, a servicer would decide whether to foreclose.

Kushner Cos. has run into trouble with loans before. The company in 2011 was on the verge of defaulting on more than \$1 billion of loans on 666 Fifth Ave., a Manhattan office tower, when Vornado Realty Trust injected \$80 million to stave off creditors.

Fannie and Freddie, which back about a third of all apartment lending, often have the best terms for large deals and those targeting low-income residents, housing specialists say.

The companies are allowed to back as much as \$36.5 billion each in apartment building loans this year. The director of the agency that oversees Fannie and Freddie can raise or lower that amount.

The companies can underwrite an unlimited amount in loans for certain underserved markets and buildings with units set aside for low-income tenants.

Without Fannie and Freddie in the market, borrowers would either pay higher rates or not be able to get loans. In 2009, as credit markets seized up, the companies took on about 60 percent of apartment loans, according to the Mortgage Bankers Association, a trade group.

impact apartment lending. Some Republicans in the past have called for restricting Fannie's and Freddie's apartment business, which could make projects more expensive to finance.

--With assistance from Caleb Melby and Matt Scully.

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Justin Blum

#### News Alert

#### Keyword News

Keywords: "gse reform" OR "mel watt" OR "fannie mae" OR "freddie mac" OR "fhfa" OR "gse" OR "housing finance" OR "fhfb" OR "federal home loan bank" OR "federal housing finance agency" OR "home affordable refinance program"

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**From:** POLITICO Pro Financial Services <politicoemail@politicopro.com>

**Sent:** Tuesday, May 09, 2017 5:19 AM EDT

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Morning Money FS, presented by the Secure Family Coalition: Is tax reform a 2018 (or later?) story? — Hensarling faces FOIA backlash — FSOC readout — Why WH visitor logs matter

By Ben White and Aubree Eliza Weaver | 05/09/2017 05:16 AM EDT

**IS TAX REFORM A 2018 (OR LATER?) STORY?**— Lots of gloom descending on Wall Street with the realization that a major tax bill could slide to next year given the number of tasks facing President Trump and the GOP the rest of this year. Health care will dominate the Senate for the next several months. By September, Congress will have to fund the government and raise the debt limit, among other must-pass items.

**And even if the GOP can get a health care bill done**through reconciliation, the GOP will need a 2018 budget resolution as vehicle to do tax reform without the threat of Senate filibuster. They are a long way from being able to do that. Presumably, work on the House side on taxes can move forward but the internal party arguments over whether to do straight cuts or real reform are not close to being resolved.

**Here's how Manulife's Megan Greene put it to MM it on hopes for 2017:**"It's pretty unlikely they can get it done. The cleavages in the GOP on health care are similar to those on tax reform. It's going to be hard to get tax reform done even in 2018 because of the midterm elections so it could slip to 2019."

**And Goldman's Alec Phillips in a note out on Friday.** "[T]he revival of health legislation, which could at least take a few more months to conclude, could substantially delay consideration of the remainder of the legislative agenda. This further reduces the likelihood that Congress will enact a tax cut before year-end ...

"While we continue to believe that tax legislation is likely to be enacted in early 2018, further delays could push consideration of tax legislation too close to the upcoming midterm election, reducing the likelihood that tax legislation is enacted in the next two years"

**Compass Point's Isaac Boltansky:** "We view the House passage of AHCA as a negative development for broader tax reform efforts. As we see it, the Senate will either fail to advance an ACA package or it will clear a bill that will be met with deep suspicion and disdain by the House ...

"Either way, the low odds of enacting health care legislation will persist while both time and political resolve steadily decline. We maintain our view that tax cuts are still likely in this Congress, but our optimism has been tempered by both political and procedural headwinds."

**More on the steep fiscal cliffs** faced by Congress this summer from Burgess Everett and Sarah Ferris [here](#).

**MM SIDEBAR** — The slow-pace of the tax reform process isn't necessarily a disaster for Trump or markets. Share prices seem fairly-well supported by earnings growth. And an economy near full employment and likely to swing back to decent growth in the second quarter is not an obvious candidate for giant, stimulative tax cuts.

So while it would be a political setback if a major Trump agenda item bogs down, it's not clear it would be any kind of economic disaster. The counter to this is if Trump does want some kind of boost to growth (and markets) heading into the 2018 midterms he could use a some combination of infrastructure spending and tax relief, especially with the Fed in cautious hiking mode.

Even here though, if no tax package is enacted until late this year or early next year, it's not likely to have much of an impact on growth until well after the midterms. So maybe it's a 2020 re-election play!

**HENSARLING FACES FOIA BACKLASH** — POLITICO's Zachary Warmbrodt: "House Financial Services Chairman Jeb Hensarling is facing a backlash from government watchdog groups over his attempts to discourage Treasury and other agencies from fulfilling certain Freedom of Information Act requests.

"Two groups, Judicial Watch and American Oversight, are planning to press Treasury for correspondence with the Financial Services Committee after it was revealed last week that Hensarling had asked agencies under his jurisdiction to reject FOIA petitions that involved communications with the panel" [Read more](#).

**GOOD TUESDAY MORNING** — Well, MM got his wish and the Caps delivered in a big way to force a Game 7 in DC on Wednesday. Here's hoping they can keep the magic alive. Email me on [bwhite@politico.com](mailto:bwhite@politico.com) and follow me on Twitter [@morningmoneyben](https://twitter.com/morningmoneyben). Email Aubree Eliza Weaver on [aweaver@politico.com](mailto:aweaver@politico.com) and follow her on Twitter [@AubreeEWeaver](https://twitter.com/AubreeEWeaver).

**THIS MORNING ON POLITICO PRO FINANCIAL SERVICES — Patrick Temple-West: SEC'S CLAYTON SEEN AS POISED TO NAME SELWAY AS DEPUTY** — "An official from an electronic trading firm in New York is in line to become the next head of the Securities and Exchange Commission unit that oversees the stock market, according to people with knowledge of the matter. James Selway of Investment Technology Group is considered to be SEC Chairman Jay Clayton's top candidate to head the agency's trading and markets division, the people said. Selway is a managing director at ITG and head of its U.S. execution services. In this role, Selway oversees the company's POSIT dark pool, which is also known as

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an alternative trading system. Dark pools, which are electronic private venues where money managers can trade in secret, have come under heightened scrutiny by the SEC in recent years." [Read more.](#)

**DRIVING THE DAY** — Senate Finance has a hearing at 10:00 a.m. on the Children's Health Insurance Program (one element of the fiscal cliff) ... NFIB Survey at 6:00 a.m. expected to dip to 104.0 from 104.7 ... JOLTS Report at 10:00 a.m. expected to show openings rising to 5,800

**ALSO TODAY: BLOCKCHAIN EVENT** — The Financial Services Roundtable and BITS are holding a blockchain event at 11:30 in DC. More [here](#).

**FSOC READOUT** via Treasury: "During the meeting, the Council received an update from Treasury staff on the April 21 Presidential Memorandum for the Treasury Secretary regarding Council designations. In addition, the Council discussed the ongoing annual reevaluation of its designation of a nonbank financial company, including preliminary staff analysis.

"The Council also discussed interagency regulatory coordination and the February 3 Presidential Executive Order on core principles for regulating the U.S. financial system. As part of that discussion, the Council discussed efforts to assess the efficacy of the Volcker Rule"

**WHY WH VISITOR LOGS MATTER** — Jeffrey R. Brown and Jiekun Huang in POLITICO Magazine: "There is vast power and clout in the White House, and visits by corporate executives to meet with top executive branch officials can result in outsized influence on policy and the extraction of political favors.

"In the first study of its kind, we used the Obama administration's White House visitor logs from 2009 — 2015 to identify 2,286 meetings between federal government officials and corporate executives from S&P 1500 firms. We found that money can buy you greater access to the White House, and that for corporations, that access translated into big returns on Wall Street" [Read more.](#)

**\*\* A message from the Secure Family Coalition:** President Trump directed the Department of Labor to re-examine the fiduciary regulation and ensure it doesn't harm Americans saving for retirement. A recent study found that the regulation could increase consumer costs by \$46.6 billion. DOL must protect retirement savers and fully delay the regulation until a review is complete. <http://bit.ly/2a2l0zy> \*\*

**WHY THE KUSHNERS ARE COURTING THE CHINESE** — Bloomberg's Caleb Melby and David Kocieniewski: "When Jared Kushner's sister took the stage in two Chinese ballrooms over the weekend to urge investors to fund a New Jersey development through a controversial visa program, she mentioned her brother's role in the White House and displayed a photo of President Donald Trump. It was a not-so-subtle signal that hers is a family company with connections.

"What she didn't mention was that the project has suffered a slew of problems: the exit of its anchor tenant, the loss of millions in tax breaks and a curdling political relationship with the mayor of its host city.

"In an email, the company, said of Meyer's pitch, 'Kushner Companies apologizes if that mention of her brother was in any way interpreted as an attempt to lure investors. That was not Ms. Meyer's intention.'" [Read more.](#)

**JPMORGAN TELLS BANKS TO PARTNER UP** —Bloomberg's Matthew Monks: "JPMorgan Chase & Co. has some advice for regional banks: A deposit drain is coming, so merge while you can. The company's investment bankers are warning depository clients that they may begin feeling the crunch in December, thanks to a byproduct of how the U.S. Federal Reserve propped up the economy after the financial crisis

"JPMorgan argues that some midsize U.S. banks — those with \$50 billion in assets or less — could face a funding problem in coming years as the Fed goes about shrinking its massive balance sheet, according to the 19-page report the New York-based bank has begun sharing with clients." [Read more.](#)

**GOLDMAN MAKES LEADERSHIP CHANGES** — WSJ's Liz Hoffman: "Goldman Sachs Group Inc. is making the biggest changes in a decade to the leaders atop its investment-banking division, which advises companies on mergers and capital raises.

"The firm promoted deal maker Gregg Lemkau and financing executive Marc Nachmann to join John Waldron as co-heads of the unit, according to people familiar with the matter. Richard Gnodde, Mr. Waldron's counterpart in London, will relinquish his co-head title to focus on overseeing Goldman's international business. Mr. Nachmann will move to London." [Read more.](#)

**WALL STREET FEAR GAUGE FALLS TO LOWEST SINCE 1993** — FT's Robin Wigglesworth and Joe Rennison: "Wall Street's 'fear gauge' has tumbled to its lowest level in more than two decades after the expected but welcome French election victory of Emmanuel Macron helped vaporise US stock market volatility.

"The Chicago Board Option Exchange's Vix index — which measures the expected short-term turbulence of the S&P 500 implied by stock options — closed at 9.77 on Monday, the lowest level since December 1993, as markets jumped over the geopolitical hurdle posed by Sunday's French presidential victory. The gauge has only been lower on three days since its inception in 1992." [Read more.](#)

**U.S. STOCK INDEXES REACH RECORD HIGHS** — AP's Stan Choe: "A turn higher in the last few minutes of trading was

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enough to nudge U.S. indexes to more record highs Monday as fear seemed to drain out of the market.

"The Standard & Poor's 500 index wafted up and down through the day before ending at 2,399.38, up by just 0.09 points. The Dow Jones industrial average likewise edged up a fraction of a percent, adding 5.34 points to 21,012.28. The Nasdaq composite rose 1.90 points, or less than 0.1 percent, to 6,102.66. Small-company stocks fell, and the Russell 2000 index lost 5.36, or 0.4 percent, to 1,391.64." [Read more.](#)

**MARKETS' BIGGEST FEAR? CHINA.** — CNBC's Patti Domm: "Stocks are at record highs, the VIX is at a 10-year low, and while investors are relieved the French presidency did not go to an anti-euro candidate, new risks are filling the void.

"Topping the list of market worries is China, which has been on the back burner for months now. Some weaker-than-expected data, however, has put spotlight on the country's economy. Last week, PMI manufacturing data showed signs of slowing, and China's trade data overnight was weaker than expected, with misses both on imports and exports. Chinese inflation data was due Tuesday." [Read more.](#)

**SEC PROBES BONDS BACKED BY RENTAL HOMES** — Bloomberg's Matt Scully: "U.S. securities regulators are investigating whether bonds backed by single-family rental homes and sold by Wall Street's biggest residential landlords used overvalued property assessments. Radian Group Inc.'s Green River Capital unit is one of the market participants that received a request for information from the Securities and Exchange Commission in March about broker price opinions, or BPOs, the company said in a regulatory filing late Friday.

"The agency has been looking at whether BPOs were wrongly inflated, and similar letters were sent to other companies, potentially serving as a starting point for an industry wide probe, according to a person with knowledge of the matter. The person asked not to be identified because the matter is private." [Read more.](#)

**JURY CLEARS FORMER BANKATLANTIC CEO** — WSJ's Dave Michaels: "A federal jury in Miami on Monday dismissed civil claims against an executive who once operated one of Florida's largest banks, marking the end of a long-running case that turned on allegations of misconduct in the run-up to the housing crisis.

"The verdict cleared Alan Levan and BBX Capital Corp., a company that once operated as BankAtlantic Bancorp Inc. before the bank business was sold to BB&T Corp. in 2011. The Securities and Exchange Commission alleged Mr. Levan misled investors during a July 2007 analyst call about trouble in the bank's loan portfolio. The SEC also claimed the bank manipulated how it valued some loans, allowing it report a lower pretax loss for the year" [Read more.](#)

**G7 WANTS TO AVOID CLASH OVER PROTECTIONISM** — FT's James Politi: "G7 finance ministers and central bank chiefs will seek to avoid a new confrontation over protectionism this week, leaving it to national leaders to address the increasingly sensitive issue later this month.

"Italian officials said on Monday that the decision to leave trade off the agenda at a G7 meeting this week in Bari had come after it became clear that the issue needed to be tackled by heads of government. Instead, the finance ministers will focus on other matters, including fostering inclusive growth and reducing inequality, fighting terrorism and cyber attacks, and cracking down on tax avoidance." [Read more.](#)

**FORMER DEWEY & LEBOEUF EXEC CONVICTED** — NYT's Matthew Goldstein and Liz Moyer: "Nearly five years after the collapse of Dewey & LeBoeuf, and roughly 20 months after a mistrial in an earlier criminal proceeding, prosecutors got a split decision on Monday in an accounting fraud case against two former executives of the once-mighty New York law firm.

"A jury in Manhattan convicted Joel Sanders, the law firm's former chief financial officer, on three criminal counts arising from what prosecutors said was a scheme to hide the firm's failing finances from financial backers. But another former executive on trial, Stephen DiCarmine, was acquitted of the same charges. The verdict came after five full days of deliberation by the jury in State Supreme Court in Lower Manhattan following a trial that began in January." [Read more.](#)

#### **ALSO FOR YOUR RADAR —**

**BETTER MARKETS SUES OVER MET LIFE** — Per Dennis Kelleher, President and CEO of Better Markets, released the following statement: "Apparently in fear of losing its lawsuit against FSOC and being re-designated as a systemically significant nonbank, MetLife appears to have orchestrated an elaborate eleventh-hour political maneuver to stop the ongoing legal case.

"More than six months after the case was argued in the Court of Appeals, and on the eve of that Court issuing its decision, MetLife is attempting to use President Trump's legally unrelated request to the Treasury Secretary for a report as a reason to delay and eventually halt the fully briefed and argued case."

**NEW AT MARKETPLACE** — Per release: "Jennifer Pak has been brought on as Marketplace's China Correspondent reporting from the Shanghai bureau. Pak's work at Marketplace will cover the world's second largest economy as it continues to transform, telling stories that help explain how our lives and economy are connected to China's."

**RILA LAUNCHES DURBIN ADS** — Per release: "RILA will be launching a national ad campaign urging Congress to uphold debit swipe fee reform as the CHOICE Act heads to the floor. The 60 second digital ad will be launched in over 40 key Congressional districts nationwide." Ad is [here.](#)

## CALENDAR:

9 a.m.: The SEC will hold a meeting of the Advisory Committee on Small and Emerging Companies, regarding issues related to rules and regulations that affect small and emerging companies under the federal securities laws. 100 F St. NE.

9 a.m.: The CFPB will hold a meeting of the Academic Research Council to discuss methodology and direction for consumer finance research at the agency. 1275 First St. NE.

11:30 a.m.: The Financial Services Roundtable will hold a discussion on "Blockchain and the future of financial services." 600 13th St. NW.

12 p.m.: The Save Our Savings Coalition will hold a House briefing on "Retirement security and incentives to save," including the tax incentive. 2020 Rayburn House Office Building.

1 p.m.: The Treasury Department will hold a meeting of the Federal Advisory Committee on Insurance to discuss the cyber insurance market, the effect of technological advances on insurers' corporate strategy and an analysis of insurer infrastructure investment practices. 1500 Pennsylvania Ave. NW.

*Did we miss anything? Let Morning Money know about future events:* [financecalendar@politicopro.com](mailto:financecalendar@politicopro.com)

**\*\* A message from the Secure Family Coalition:** President Trump directed the Department of Labor to re-examine the fiduciary regulation and ensure it doesn't harm Americans saving for retirement. An April 2017 study released by the American Action Forum found that the regulation has the potential to increase consumer costs by \$46.6 billion, or \$813 per IRA account holder. We need to do better for individuals working hard to save for retirement. America's life insurers, agents, and brokers look forward to working with Labor Secretary Acosta, the administration, Congress, and the states on policies that ensure continued consumer access to retirement information and lifetime income products for a secure retirement. Secretary Acosta and the Department of Labor need to act promptly and fully delay the fiduciary regulation until a thorough, impartial review is complete. <http://bit.ly/2a2l0zy> \*\*

*To view online:*

<https://www.politicopro.com/tipsheets/morning-money-fs/2017/05/is-tax-reform-a-2018-or-later-story-022745>

## Stories from POLITICO Pro

### Coming soon: The fiscal cliff to end all fiscal cliffs [Back](#)

By Burgess Everett and Sarah Ferris | 05/08/2017 05:03 AM EDT

If President Donald Trump and the Republican Congress think they've been under pressure to produce lately, just wait a few months.

Over the next several months, Republicans will have to figure out how to cut deals with Democrats to avoid a default on the national debt and avert a government shutdown, among several other must-pass items. But the negotiations will unfold against the acrimony of the GOP's Obamacare repeal effort and a bruising fight over tax reform, none of which are likely to inspire trust between the two sides.

Though Congress avoided a government closure this month — a major bipartisan legislative accomplishment for an institution otherwise devoid of any this year — a quintet of critical deadlines in the early fall will force either a furious round of deal-making or brinkmanship that could have dire effects on the economy. It will be a major test of Trump and the all-GOP Congress' ability to govern, and the Republicans are bound to be blamed for any problems, given their dominant political position.

By most accounts, Congress is not ready for the impending crunch; Trump even seemed to welcome a crisis with his tweet last week that the country "needs a good 'shutdown' in September."

A new government funding bill is due by the end of September, and Republicans are behind schedule on producing a budget that lays out their spending plans. The debt ceiling will likely need to be raised around that time, a vital exercise that an all-GOP Washington hasn't executed for more than a decade. Democrats are eager to extract leverage at every opportunity given their minority status. At least eight Democratic votes in the Senate will be needed to pass a funding bill and, most likely, increase the debt ceiling.

"If I were in charge, I would be worried," warned Sen. Claire McCaskill (D-Mo.).

As if avoiding a government shutdown and debt default weren't enough, Congress will have to tackle three important programs set to expire at the end of September: Federal Aviation Administration law, federal flood insurance and a children's health insurance initiative. Congress may have to adopt short-term fixes to keep all three running. A number of smaller provisions are set to expire, too, including Coast Guard laws and some Medicare and Food and Drug Administration programs.

The early prognosis from senior Republicans is that the debt ceiling and government funding will have to be combined in some way to get a deal, possibly with some of the other expiring measures.

"Not many orphans get very far, do they?" said Sen. Richard Shelby (R-Ala.), a senior member of the Appropriations Committee.

Republicans are anxious about the nightmarish calendar ahead. Congress has 12 weeks left before all 12 appropriations bills are due, and not a single one is close to the starting — let alone the finish — line.

Work on the spending bills is on track to start much later than expected, according to long-time appropriators and observers. Some lawmakers, like Rep. Tom Cole (R-Okla.), are already warning that a stopgap funding bill might be needed to avoid a shutdown after Sept. 30.

"Our budget process is totally broken," said Sen. Bob Corker (R-Tenn.).

Republicans are now considering a longer delay to the official kickoff of the 2018 spending cycle. GOP budget-writers may not release their budget blueprint until after the Memorial Day recess, according to a GOP aide familiar with the process. The document sets the amount of money Congress will spend that year.

The initial goal was around May 15, the same week the Trump administration was expected to unveil its full budget blueprint. The White House has since told lawmakers to expect its budget the week of May 22, sources said. New administrations typically release their budgets in February.

Republicans can't officially pass a budget until finishing, or ditching, their health care effort. That's because their current power to use reconciliation — the majority-vote budget tool that allows the Senate to bypass the filibuster — will expire when a new budget is approved. Republicans intend to use the next budget to write reconciliation instructions for tax reform; Senate rules preclude using the next budget resolution for health care reform as well.

Still, some lawmakers say they can get around approving an official budget, and start drafting appropriations bills, if GOP leaders can informally agree to spending levels for next year.

However, Trump injects a new dose of uncertainty into the annual fall fiscal fights. The president nearly went all-out this spring to secure funding for his proposed U.S.-Mexico border wall before relenting at the last minute; the White House could come to see September's convergence of deadlines as a chance to exert more leverage over Congress.

"I don't know where the president is on these matters. If he's willing to go to the [mat], I think it will help Republicans," said Senate Finance Chairman Orrin Hatch (R-Utah). "[Democrats] will do their very best to get whatever they can."

Conservatives in the House Freedom Caucus, who mostly opposed a \$1.1 trillion spending bill that Trump signed Friday, averting a government shutdown, say they'll also be digging in much more next year. And they expect Trump to do the same.

"It's one thing to compromise and have a bipartisan bill, but when you have [Sen. Chuck] Schumer grinning from ear to ear, it's like, 'come on,'" said Rep. Dave Brat (R-Va.), referring to the perception that Democrats one-upped Republicans in the recent budget showdown. "Now it's like, 'OK, let's get it right. Let's start putting the Trump agenda into effect.'"

The focus on avoiding economic catastrophe could cause Congress to put off attempts to revamp expiring laws. Historically, Congress has had little problem punting on the FAA bill, while the flood insurance program is a source of Republican infighting, with lawmakers from low-lying areas fighting for lower premiums and fiscal conservatives blasting any rates viewed as too generous.

Democratic senators say they have not decided how to exert their leverage. They could insist on additional spending on domestic programs as a condition for voting to raise the debt ceiling. Democrats will also want an extension of the Children's Health Insurance Program.

"I am concerned because we don't see any long-term planning," said Sen. Patty Murray of Washington, the No. 3 Democratic leader. "There are some things ... you have to do. And [children's health insurance] is certainly part of that, in my mind."

Republicans are skeptical that Democrats will provide votes without major concessions. And that means the GOP may be forced to come up with the bulk of the votes for lifting the debt ceiling, after providing minimal support over the past eight years.

Historically, "the party in the majority has to raise the debt ceiling. So we're going to have to, I assume, combine that with other measures that will make that palatable," said Senate Majority Whip John Cornyn (R-Texas).

Budget leaders are already scheming to get conservatives to swallow a tough vote after years of opposing increases to the debt limit. White House budget chief Mick Mulvaney is suggesting that Republicans impose "more fiscal discipline" in future fiscal deals, while House conservatives have similarly hinted that they want some kind of deficit-slashing package to be included with a debt ceiling vote.

They could get their wish: Earlier this month, the GOP-led House Budget Committee privately floated cutting some entitlement programs later this year.



The crush of deadline-driven items — on top of big-ticket efforts on health care and taxes — is sowing doubts that Republicans can pull it all off. The party has also promised to raise Obama-era caps on defense spending.

"From the beginning, I thought the agenda was too big to be realistic," said Doug Holtz-Eakin, president of American Action Forum and a former budget official in the George W. Bush administration. "It's just too much."

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## Hensarling challenged by watchdog groups over agency records [Back](#)

By Zachary Warmbrodt | 05/08/2017 07:11 PM EDT

House Financial Services Chairman [Jeb Hensarling](#) is facing a backlash from government watchdog groups over his attempts to discourage Treasury and other agencies from fulfilling certain Freedom of Information Act requests.

Two groups, Judicial Watch and American Oversight, are planning to press Treasury for correspondence with the Financial Services Committee after it was revealed last week that Hensarling had asked agencies under his jurisdiction to reject FOIA petitions that involved communications with the panel.

American Oversight sent a FOIA [request](#) to Treasury Friday for communications between Treasury and Hensarling, a Texas Republican, regarding financial regulation, and Judicial Watch was planning to follow suit. American Oversight said it would take the matter to court if need be.

"I don't understand there to be any legal basis for the assertion of congressional privilege that would keep these types of records secret," Judicial Watch President Tom Fitton said in an interview.

The controversy has erupted as Hensarling is pushing for a sweeping overhaul of financial-market regulations, aiming to dismantle key rules put in place since the 2008 crisis.

Amid the mounting scrutiny over the records flap, the Financial Services Committee on Monday provided more details on the scope of its request and its rationale.

The committee shared with POLITICO the letters Hensarling sent to major agencies, including the Department of Housing and Urban Development, the Federal Housing Finance Agency, the Office of the Comptroller of the Currency and the Federal Reserve.

CFPB Director Richard Cordray told Hensarling in an April 28 letter that the bureau would decline to produce records of the committee under FOIA "to the extent consistent with law" and that it was continuing to review his initial demand.

Thomas Curry, who recently stepped down as comptroller, said in a May 3 letter to Hensarling that the OCC would decline to produce congressional records in response to FOIA. But he added "when the OCC determines that withholding records in response to a request is contrary to law, the OCC will discuss any such request with the committee if consistent with applicable law."

NCUA Acting Director J. Mark McWatters said in an April 7 letter to Hensarling that the agency will decline to produce the records at issue under FOIA and would discuss such requests with the committee.

Committee spokesman Jeff Emerson said it was the first time Hensarling had made such a request. He said the committee was acting on the advice of the House Office of General Counsel and that other committees had sent similar letters to agencies.

He cited a 2004 United States Court of Appeals decision resolving a lawsuit by United We Stand America against the Internal Revenue Service over a FOIA petition that involved congressional correspondence.

Hensarling sent a letter Monday to Rep. [Maxine Waters](#) (D-Calif), the committee's top Democrat, after she criticized him last week for the FOIA demands. In the letter, Hensarling said he was surprised to read her comments in the press because Waters and her staff were "made fully aware" of the committee's position and had not raised concerns with him.

"I take transparency very seriously, and the letters that were sent to executive agencies do not mean that the committee will advocate for the withholding of all records," Hensarling said in the letter. "We will, as we always do, evaluate each situation on a case-by-case basis with an eye toward disclosure to the maximum extent feasible. All the committee has done by issuing these letters is protect its legal rights."

House general counsel Thomas Hungar said congressional communications with executive branch agencies are exempt from FOIA requests "whenever Congress expresses the intention that such communications are to retain their status as congressional records."

"Over the course of the past four decades, congressional committees and members have frequently expressed that intention



and the federal courts have routinely and consistently enforced these well-established legal principles," Hungar said. "The House Office of General Counsel provided legal advice to the Committee on Financial Services regarding these long-established legal principles and practices, and the letters sent by the committee to agencies under its jurisdiction are consistent with that advice and use language provided by the Office."

But open records advocates argue that Hensarling's letters were too broad.

American Oversight executive director Austin Evers said his group would pursue a legal challenge if Treasury withheld information in response to its FOIA request.

"We're going to send a letter to the committee and explain why we think their rationale isn't right," said Project on Government Oversight policy counsel Liz Hempowicz. "The real place for this to be solved is either going to be through legislation or litigation."

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## **SEC's Clayton seen as poised to name Selway as deputy**[Back](#)

By Patrick Temple-West | 05/08/2017 03:04 PM EDT

An official from an electronic trading firm in New York is in line to become the next head of the Securities and Exchange Commission unit that oversees the stock market, according to people with knowledge of the matter.

James Selway of Investment Technology Group is considered to be SEC Chairman Jay Clayton's top candidate to head the agency's trading and markets division, the people said.

Selway is a managing director at ITG and head of its U.S. execution services. In this role, Selway oversees the company's POSIT dark pool, which is also known as an alternative trading system. Dark pools, which are electronic private venues where money managers can trade in secret, have come under heightened scrutiny by the SEC in recent years.

More broadly, ITG serves as a hub for trading between customers and exchanges. Selway's vantage point at ITG has given him a valuable perspective on the issues he would deal with at the SEC, said Michael Friedman, an official at Trillium, a New York-based investment and trading firm.

"He has as much knowledge as you possibly could about how and why the market is structured the way it is," Friedman said.

Selway, 46, joined ITG in 2010 from a brokerage business he co-founded in 2003. He previously worked at Archipelago, an early pioneer in electronic trading, and before that he was at Goldman Sachs. Representatives for ITG and the SEC declined to comment.

The SEC's trading and markets division regulates the stock market infrastructure and is a key player in the war between exchanges and trading firms over the costs of doing business.

One of the first battles Selway would be stepping into involves the rebate or "access" fees that exchanges offer to traders to increase trading at their venues. The SEC is working on a project to test whether lowering the cap on access fees would benefit the market.

The access fee issue drew attention in 2016 from Sens. [Mike Crapo](#) (R-Idaho), now the chairman of the Senate Banking Committee, and [Mark Warner](#) (D-Va.).

"We think that if rebates were eliminated within the right construct that market competition could effectively cap fees in our markets and regulators would not have to be involved in setting prices and fee caps," Brett Redfearn, an official with JPMorgan Chase, said at an SEC meeting in April.

To view online [click here](#).

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## **When CEOs Visit the White House, Their Companies Profit**[Back](#)

By Jeffrey R. Brown and Jiekun Huang | 05/08/2017 05:55 PM EDT

When the Trump administration announced its plans to stop sharing the White House visitor logs—cutting off the public's ability to know the people, groups and interests with access to the president's advisers—White House communications director Mike Dubke cited "grave national security risks and privacy concerns" as the rationale.

Having reviewed years' worth of White House visitor logs, we agree there are major risks associated with the documents' release—political ones. Keeping the logs secret makes it more difficult for the American public to know who's seeking favors from the administration and leveraging the prestige and power of the White House for their own benefit.

There is vast power and clout in the White House, and visits by corporate executives to meet with top executive branch officials can result in outside influence on policy and the extraction of political favors.

Precisely *how* do private companies benefit from access to federal officials? Surprisingly, beyond anecdotal stories, it has been difficult to know; there had been no irrefutable data on how firms' access to the White House translates into private gains—until now.

In the first study of its kind, we used the Obama administration's White House visitor logs from 2009-2015 to identify 2,286 meetings between federal government officials and corporate executives from S&P 1500 firms. We found that money can buy you greater access to the White House, and that for corporations, that access translated into big returns on Wall Street.

Our findings also underlined a simple fact: Without transparency from the Obama administration, we would have never known any of this. And lacking that transparency from the Trump administration, the American people will be left in the dark while many insiders profit from their White House meetings.

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**Not every corporate executive** who visits the White House intends to influence policy, nor are those who try to do so always successful—nor is that even necessarily a bad thing if they do. But the potential that such meetings influence the administration makes a strong case for the public's right to know who is meeting with senior officials, and what is going on behind the closed doors of White House meeting rooms.

Access to policymakers is both highly valuable and difficult to obtain—they have limited time and an almost endless list of people who want to bend their ears. But for major corporate executives, access is increasingly important. Private firms benefit in myriad ways from gaining access to powerful politicians—from winning government contracts, to receiving regulatory relief and influence in political decision-making, to just simply gaining an informational advantage about government plans.

In each year from 2009 to 2015, executives of more than 200 U.S. corporations that at some point have been among the S&P 1500 visited the White House to meet with executive branch officials at least once. Combined, these firms account for about 40 percent of the total market capitalization of the entire S&P 1500.

Our study found that corporate executives' meetings with White House officials were associated with cumulative positive abnormal stock returns of approximately 0.9 percent in the two months immediately following the meetings—a result driven mainly by the strong returns for companies that met directly with the president and his top aides. For multibillion dollar corporations, this means that a single White House visit by a corporate executive can add hundreds of millions of dollars to shareholder value.

Perhaps unsurprisingly, firms that spent more on lobbying and firms that contributed more to Barack Obama's presidential election campaigns were more likely to gain access to his White House. And it's not simply a matter of large corporations prospering regardless of who's in control in Washington: We found that following the 2016 election, when partisan control of the White House changed hands, those companies that'd enjoyed access to the Obama White House experienced significantly *lower* stock returns than otherwise similar companies.

Why is access to high-level policymakers so valuable? By again comparing firms with government access to otherwise similar firms with no or lesser access, we found evidence for several different sets of benefits.

First, firms with access to the White House received a larger increase in government contracts following their meetings with federal officials than those firms without access. Our back-of-the-envelope calculation suggests that on average, this increase in the size of contracts resulted in about \$34 million in new profits per year. Simply put, White House access makes government contracts more likely, which, for the corporations involved, means bigger profits.

Second, when compared with companies without access, those firms able to obtain White House meetings secure, on average, more favorable regulatory actions (as inferred from the tone of regulatory news). The affected regulatory actions are those focused on specific firms rather than on entire industries. In one notable example of this, the [Wall Street Journal reported](#) that Google executives' frequent visits to the Obama White House were instrumental in the Federal Trade Commission's decision to drop its antitrust investigation of the company.

Third, companies that are privy to the inner workings of the government and the policymaking process may be better able to mitigate political uncertainties and improve corporate decision-making. For instance, firms that rely heavily on exports would be able to invest with more confidence if they have a better sense of the administration's forthcoming trade pronouncements. Using a measure of political uncertainty created by academic economists, we found that firms whose executives visited the White House became less likely to cut back on investments during periods of heightened policy uncertainty relative to firms that did not visit. This suggests that politically connected firms may be better able to navigate the uncertainty by having better information.

It's obvious corporations benefit when they have political access to the White House. It's less clear whether the value

created for the shareholders of a single firm is also good for the public at large. There are, of course, instances in which the public can benefit from these meetings, as executives provide government officials with relevant information that enables policymakers to make better-informed decisions. Still, the potential for *quid pro quo* exchanges between private firms and government officials, where policy favors are traded for political or personal gains, is real. Even in those cases that don't rise to an explicit *quid pro quo*, there's the possibility that officials are influenced in ways that cause them to behave differently than they otherwise would.

For all of these reasons, the public has a right to know with whom White House officials are meeting. The facts of these encounters—who met, when, where, and how many attended, etc. —must be made available so that citizens are aware of the potential issues that might arise from such meetings, positive or negative. Firms see a tangible benefit from these meetings, trading on the power and influence of officials ostensibly working for the benefit of the people of the United States. But the people of the United States should at least have the opportunity to know who's meeting, and decide for themselves exactly who benefits.

The challenge of transparency is that those who are open—those who make information available—put themselves at risk of attack over what is found in that data. Less transparent actors, meanwhile, don't take the risk of accountability, and the public suffers in the dark as a result.

It's not exactly surprising that campaign contributions and lobbying efforts can open doors in Washington. Nonetheless, the public deserves to know who walks through those doors.

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**From:** Moore, Megan

**Sent:** Wednesday, August 16, 2017 10:24 AM EDT

**To:** Sanchez, David V. <David.Sanchez@fhfa.gov>

**Subject:** FW: Alert: FRE/Kushner/ Baltimore Sun: Jared Kushner's firm seeks arrest of Maryland tenants to collect debt

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**From:** Johnson, Stefanie (Mullin)

**Sent:** Wednesday, August 16, 2017 8:57 AM

**To:** !OCAC <!OCAC@fhfa.gov>

**Subject:** FW: Alert: FRE/Kushner/ Baltimore Sun: Jared Kushner's firm seeks arrest of Maryland tenants to collect debt

## Jared Kushner's firm seeks arrest of Maryland tenants to collect debt

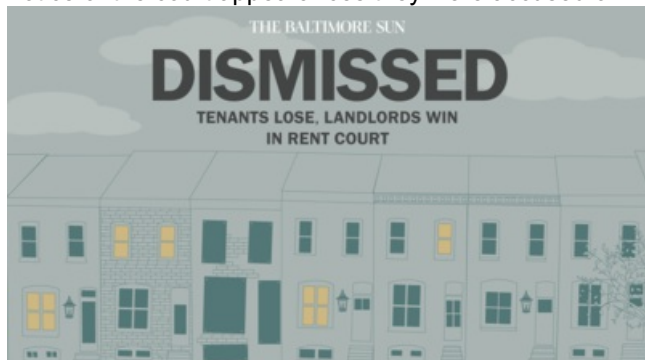
The real estate company owned by Jared Kushner, son-in-law and top adviser to President [Donald Trump](#), has been the most aggressive in Maryland in using a controversial debt-collection tactic: getting judges to order the arrest of people who owe his company money.

Since 2013, the first full year in which the Kushner Cos. operated in Maryland, corporate entities affiliated with the firm's 17 apartment complexes in the state have sought the civil arrest of 105 former tenants for failing to appear in court to face allegations of unpaid debt, The Baltimore Sun has found.

That's more than any other landlord in the state over that time, an analysis of Maryland District Court data shows. Court records show that 20 former Kushner tenants have been detained.

Industry professionals say such arrests, called body attachments, can be the only way to get tenants to pay the money they owe. Kushner Cos. officials say the New York-based firm employs the tactic as a last resort, and follows industry standards and state law.

But critics say it amounts to jailing people for being poor — and can interfere with their livelihoods, making it more difficult to pay the money they allegedly owe. Moreover, at least some tenants who have been targeted say they did not receive proper notice of the court appearances they were accused of missing.



Advocates for consumer rights have long pushed for legislation to limit body attachments.

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"People are being arrested for a debt that they may not even be aware of, or for a court date they may not have been aware of," said state Sen. William C. Smith, a Montgomery County Democrat. Being arrested, he said, has a "devastating effect." Judges approve body attachments to compel tenants to show up at civil proceedings. Landlords say tenants are not arrested for owing money, but for missing at least two court hearings about the alleged arrears.

When a landlord wins a judgment against a tenant, he or she may ask the judge to order the tenant to appear in court to answer questions about assets and employment to determine garnishments. If the tenant fails to appear, the judge may issue another summons to determine why the person shouldn't be held in contempt.

If the tenant again fails to show up, the landlord can ask the judge to issue a body attachment.

When a tenant is arrested, a judge or commissioner can hold him or her and set a bond. Defendants unwilling or unable to pay the bond can end up in jail.

Attorney General [Brian E. Frosh](#), one of the advocates who has sought to limit the practice, says judges in small claims cases may act on informal evidence from landlords about the alleged debt and their attempts to notify tenants about court hearings. Frosh and others say tenants sometimes may be unaware of a debt because it has been sold to a company whose name they don't recognize, and may miss notice of a court hearing because they have moved.

Jennifer McLean, chief financial officer of the Kushner Cos., said the firm "follows guidelines consistent with industry standards" and state law when it files legal action. Westminster Management, which oversees Kushner's operations, "only takes legal action against a tenant when absolutely necessary," McLean said in a statement.

The Kushner Cos. have nearly 9,000 units in Maryland, most of them in Baltimore County. They generate at least \$90 million in revenue annually, according to offering circulars from mortgage giant [Freddie Mac](#) obtained by The Sun, and at least \$30 million in profit, according to financing documents provided to investors who hold the mortgages.

Three of the portfolio's apartment complexes — Dutch Village in Northeast Baltimore, Carriage Hill in Randallstown and Highland Village in Lansdowne — received \$6.1 million in federal rental subsidies since Jan. 1, 2015, according to records

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obtained through a [Freedom of Information Act](#) request. That's money that helps the poor pay rent. The Housing Choice vouchers from the U.S. Department of Housing and Urban Development have helped 268 tenants pay rent at the Kushner properties, finance records show. Apartments rented for an average of nearly \$950. Kushner affiliates have filed at least 1,250 legal actions in the state since 2013. Judges have awarded a total of \$5.4 million in judgments against tenants who owed an average of \$4,400, The Sun's analysis shows. That includes the original debts, plus lawyers' fees, court costs and interest. In nearly all of those cases, judges have approved the garnishment of tenants' wages and property, actions that have helped the Kushner-controlled companies collect \$1 million so far, that data show. The Sun analyzed data from a searchable database of district court cases compiled by the Maryland Volunteer Lawyers Service.

Priscilla Moreno, a Baltimore County school bus driver who works part time in video production, narrowly avoided arrest last year. She and her three children were living in Whispering Woods, a Middle River community of 524 apartments, when she received a federal voucher that she thought would help improve her housing. She decided to move out. Then the Kushner affiliate JK2 Westminster hit her with a \$7,100 judgment in 2015. She says it did not credit her security deposit and included charges she disputes. "They were charging me for things that were carpet cleaning," said Moreno, 44. "Normal wear and tear." The original alleged debt was \$4,637.76. With lawyers fees, interest and court costs, it grew to \$7,100. A Baltimore County District Court judge approved a body attachment for Moreno last July. She avoided arrest by filing for federal bankruptcy, a step taken by at least a dozen other former tenants sued by Kushner affiliates. The body attachment order "was very extreme," she said. For weeks, she lived in fear that she could be stopped for a traffic violation and end up in jail. "If you don't have the money you have to stay in jail until you pay," she said. She filed her bankruptcy paperwork with Baltimore County on Nov. 28. It was the same day that Ivanka Trump tweeted a Forbes magazine cover that featured a photo of her husband, Kushner, and a headline calling him "America's new power broker." Moreno's bankruptcy records show she owed debts of \$60,000 against an annual income of \$31,000. Kushner has earned \$1.5 million from Westminster Management alone, according to federal financial disclosure forms filed with the U.S. Office of Government Ethics. Forbes estimates his family's fortune at \$2 billion. Moreno told the court twice that she never received the notices to appear after she moved out of Whispering Woods. Smith, the state senator, introduced legislation in the [General Assembly](#) this year to limit body attachments. Frosh wrote in support of the bill. "The Office of the Attorney General has long expressed concern about the courts being used as an instrument to assist debt collectors in collecting what is often questionable debt," Frosh wrote to the Judicial Proceedings Committee in March. But with little support among committee members, Smith withdrew the measure. He said state Sen. H. Wayne Norman Jr., an attorney who represents landlords, was his "biggest opponent on the bill." "It's a big part of his practice," Smith said. "It was clear [the bill] was not going to get out of committee."



[Doug Donovan and Jean Marbella](#)

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[When the furnace in their West Baltimore rowhouse broke last winter, Denise and Marvin Jones did what they could to keep their family warm — and together. They filed a complaint against their landlord. They boiled pots of water and ran space heaters. They sent their four children to bed bundled...](#)  
[\(Doug Donovan and Jean Marbella\)](#)

Norman, a Harford County Republican, said judges approve body attachments only after tenants repeatedly ignore court orders to show up. "It has nothing to do with owing money," he said. "It has everything to do with disobeying court orders and disrespecting judges." Landlords spend at least \$150 to file the paperwork required to compel tenants to appear to negotiate debt repayment, Norman said. He said such tenants drive up the rents for everyone else as well as jeopardize property owners' ability to pay their mortgages. If defendants didn't face serious consequences, he asked, "why would anybody obey a court order?" "The body attachment is the only thing that gets a lot of people's attention," he said. McLean, the Kushner executive, said tenants are given multiple opportunities to argue their case to a judge. "Specifically, every resident must be physically served and have an opportunity to show up in court before a judge," she said



in a statement. "Second, possession and monetary damages are awarded by the judge after both sides are given an opportunity to state their case. While taking a tenant to court is far from an ideal outcome, that option — and clear rules governing it — must exist as a last resort."

Baltimore County renters filed a class action lawsuit in 2015 challenging the collection tactics of Sawyer Property Management, one of JK2 Westminster's partners. Tenants claimed the firms violated the state's Consumer Protection Rights Act by pursuing money without a debt collector's license.

The Maryland Court of Special Appeals disagreed in November.

"Each complaint failed to state a claim under the Consumer Debt Collection Act or under the Consumer Protection Act," the court wrote.

Kathy Howard represents landlords as a lobbyist for the Maryland Multi-Housing Association. She said the Kushner Cos.' practices are not "out of the ordinary" when tenants repeatedly fail to appear at court hearings.

"It doesn't sound like [the company is] running awry of regulations," Howard said. "It simply is good business."

The practice is not universal.

"I worked for a firm that did collection work and it had a policy against requesting body attachments," said Amy Hennen, an attorney with the Maryland Volunteer Lawyers Service. "They don't want to risk the public relations issue."

Landlords say they need the option of seeking body attachments to recover debt. They argue that small landlords, in particular, often rely on rent payments to keep paying mortgages on their properties.

Marceline White, executive director of the Maryland Consumer Rights Coalition, challenged that argument. Data show that body attachments are obtained mainly by larger companies.

"When you realize that in these cases, it's a multimillionaire who is the son-in-law of the president, it begs the question whether they should be spending all this time and money to pursue people who have fallen behind," White said.

"Obviously, people should be paying their bills. But arresting someone years after seems fairly extreme."



[Doug Donovan](#)

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[A Baltimore city councilman introduced legislation Monday aimed at establishing a fund that would help low-income tenants facing eviction and other housing problems to hire attorneys, an effort that cities across the nation are exploring or have implemented.](#)

[If Councilman Robert Stokes' bill is...](#)

[\(Doug Donovan\)](#)

Michael Millemann is director of the Consumer Protection Clinic at the University of Maryland law school.

"It's utterly outrageous in 2017 to be locking people up for debt," he said.

Analysts with the investment research firm Morningstar say property managers must pursue debt. If tenants fail to pay rent, the firm warned investors in an analysis of the financing underlying the Kushner properties, the company could default on its mortgages.

Kushner Cos. acquired most of its Maryland apartment complexes with \$371 million in financing from Freddie Mac, the mortgage lending giant created by Congress in the 1970s. The mortgages were then packaged with hundreds of others as interest-bearing securities that Freddie Mac sold to investors.

Freddie Mac documents show that the average occupancy rate for 14 of the complexes stood at 95 percent. Revenues of nearly \$90 million brought \$30 million in profit after taxes, expenses and mortgage payments, the records show.

For a firm that receives money from HUD and financing from Freddie Mac, Hennen said, garnishing wages and seeking arrests is "harsh."

"A few hundred dollars can be the difference between making it and collapsing" for tenants, she said. "But certainly the body attachment is probably the worst, because we're talking about what is effectively a debtors' prison, which is something out of Charles Dickens."

*Baltimore Sun* interactive designer Jin Kim contributed to this article.

[ddonovan@baltsun.com](mailto:ddonovan@baltsun.com)

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**From:** Bloomberg Government [\[mailto:alerts@bgov.com\]](mailto:alerts@bgov.com)

**Sent:** Wednesday, August 16, 2017 6:17 AM

**To:** Johnson, Stefanie (Mullin) <[Stefanie.Johnson@fhfa.gov](mailto:Stefanie.Johnson@fhfa.gov)>

**Subject:** Alert: Baltimore Sun: Jared Kushner's firm seeks arrest of Maryland tenants to collect debt

## [Baltimore Sun: Jared Kushner's firm seeks arrest of Maryland tenants to collect debt](#)

August 16, 2017 06:17AM ET | Baltimore Sun

The real estate company owned by Jared Kushner, son-in-law and top adviser to President Donald Trump, has been the most aggressive in Maryland in using a controversial debt-collection tactic: getting judges to order the arrest of people who owe his ...

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**Sent:** Tuesday, June 12, 2018 5:17 AM EDT

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Morning Money FS: Trump and Kim sign vague declaration — Stocks: Dollar rises — Kudlow suffers a heart attack — What's next?

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06/12/2018 05:15 AM EDT

By BEN WHITE ([bwhite@politico.com](mailto:bwhite@politico.com); [@morningmoneyben](https://twitter.com/morningmoneyben))

**TRUMP AND KIM SIGN VAGUE DECLARATION** — President Donald Trump and North Korean dictator Kim Jong-un signed a [joint statement](#) on Tuesday pledging that North Korea will work toward getting rid of its nuclear weapons. But the declaration did not include specific steps toward ridding the Korean peninsula of nuclear weapons and instead promised future meetings and security guarantees from the United States.

**POLITICO's Eliana Johnson, Nahal Toosi and Nancy Cook** "Trump called the document 'pretty comprehensive' and Kim 'a worthy negotiator,' pledging to invite the North Korean leader to the White House in the future. 'Today, we had a historic meeting and have agreed to leave the past behind,' Kim added. 'The world will see a major change.'

"Meanwhile, Trump told reporters that he learned during their visit Kim is a 'very talented man. I also learned that he loves his country very much.' Trump and Kim met for several hours on Tuesday at a luxury hotel in Singapore for the historic summit, which was meant to broker a greater relationship between the two countries. It was the first time a sitting U.S. president had met with a North Korean leader." [Read more.](#)

**At the top of a news conference** before leaving, Trump said of the Korean War that began in 1950 and has technically never ended: "Now we can all have hope that it will soon end. ... The past does not have to define the future. ... It's a very great day, it's a very great moment in the history of the world."

Asked how he could call a dictator who starves his own people and has family members murdered "very talented," Trump said: "Well he is very talented. Anybody that takes over a situation like he did at 26 years of age and is able to run it, and run it tough, I don't say he was nice."

**THE SCENE...** [via the WSJ](#) on the initial greeting: "The handshake, which was televised live around the world, marked the high point of an at-times surreal couple of days, extending the rapprochement of two men who only months ago were threatening each other with nuclear attack."

**STOCKS; DOLLAR RISES** — Reuters: "The dollar hovered near 3-week highs on Tuesday and Asian shares gained as ... Trump and ... Kim ... signed a 'comprehensive' deal at a historic summit aimed at the denuclearization of the Korean peninsula. ... The dollar rose against the safe-haven yen, while the Korean won pared gains to stay near a recent two-week trough. Spreadbetters pointed to a firm start for Europe while E-Minis for the S&P 500 also gained 0.1 percent. ...

"Yet, there was some unease among investors about the outcome of the talks given the tense relations between the two nations. The combatants of the 1950-53 Korean War are technically still at war, as the conflict, in which millions of people died, was concluded only with a truce. In Asian equity markets, trading was volatile with Japan's Nikkei paring early gains to close 0.3 percent higher after earlier rising as much as 0.9 percent." [Read more.](#)

**Earlier in the day**, Trump and Kim shook hands, held a brief bilateral meeting with only interpreters in the room and then a longer meeting flanked by aides at the Capella resort. Trump declared at the start that the pair would "have a terrific relationship."

**Trump at the beginning of the meeting** "I feel really great. Going to have a great reception. And tremendous success, going to be tremendously successful. And it is my honor and we will have a terrific relationship ahead."

**Kim:** "It was not easy to get here. Old prejudices and practices worked as obstacles on our way forward, but we overcame all of them and are here today." [Read more.](#)

**KUDLOW SUFFERS A HEART ATTACK** — Before the Kim meeting, Trump tweeted that his NEC Director, Larry Kudlow, had suffered a heart attack. "Our Great Larry Kudlow, who has been working so hard on trade and the economy, has just suffered a heart attack. He is now in Walter Reed Medical Center."

**At around 10:30 p.m.** the White House released an official statement from Sarah Sanders: "Earlier today National Economic Council Director and Assistant to the President Larry Kudlow, experienced what his doctors say was a very mild heart attack. Larry is currently in good condition at Walter Reed National Military Medical Center and his doctors expect he will make a full and speedy recovery. The President and his Administration send their thoughts and prayers to Larry and his family."

**Nancy Cook and I have more [here](#) on Kudlow's condition:** "Kudlow's close friend Stephen Moore, of the Heritage Foundation, said in a brief phone call that he thought Kudlow would be all right. 'He was burning the candle at both ends,' Moore said as he was heading to the hospital. Kudlow did not come to work at the White House at all on Monday.

"He has been working furiously behind the scenes since he joined the administration ... this spring, to hammer out trade deals with China and to save NAFTA from collapsing — all while trying to convince investors that the president was not launching a trade war anytime soon. ....

"Kudlow also recently trekked to China as part of a trade delegation. The trade talks have been especially fraught within the administration, since various top officials hold radically different views on that policy and because the president cares so deeply about the issue.

"Several administration officials have commented privately on the seeming fragility of Kudlow's health, worrying that the job could quickly run him ragged. The president's tweet came as a surprise to NEC staff members who were frantically trying to get more information on Kudlow's condition.

"Kudlow, 70, discussed the rigors of the job with family and friends before joining the White House staff. He was worried that the long hours and travel could potentially take a toll on his health, according to a person with direct knowledge of what Kudlow said. He had reduced his hectic schedule in recent years, giving up his nightly television show on CNBC, and knew that going to Washington, particularly into this administration, presented risks."

**WHAT'S NEXT?** — The big question is whether Kudlow will go back to work at the White House. He'll probably want to and the president will want him. But it seems fairly clear that the job is highly dangerous to Kudlow's health and that he will have to at least seriously consider stepping away.

**That would open a new round of questions** about who would replace him and whether that person will also attempt to balance out the protectionists with a strong defense of free trade. Peter Navarro got some mentions as a potential NEC director after Gary Cohn left. If he were to get the job, markets would likely panic. Other previously mentioned candidates include OMB Director Mick Mulvaney, Chris Liddell, Stephen Moore, Mark Calabria and Bob Steel.

**Speaking of Navarro**, here was Sen. Orrin Hatch about the trade adviser's remarks about Justin Trudeau going to hell: "I thought he should've kept his big mouth shut because I don't think that helps us inform policy and I think frankly it was out of line."

**CLEAN UP, AISLE CANADA** — Via POLITICO's Megan Cassella: "A day after ... Trump and his top advisers went on the attack against Canada, members of his Cabinet are taking steps to preserve and strengthen ties with the U.S.' nearest ally. In one step of the change in tone, the Department of Agriculture announced Monday that Secretary Sonny Perdue would head to Canada later this week to meet with his counterpart Lawrence MacAulay.

"The trip and photo-op is intended to showcase ongoing cooperation between the two countries on agriculture — and it will fall amid repeated criticism from Trump himself about Canada's high tariffs on U.S. dairy products in particular that enter the Canadian market." [Read more.](#)

**SENATE MOVES TO REVERSE ZTE DEAL** — POLITICO's John Hendel and Doug Palmer: "Senate leaders agreed Monday to include language in the annual defense spending bill that would reverse the Trump administration's decision to save Chinese telecommunications company ZTE after it was caught violating the terms of a 2017 penalty agreement by making illegal sales to Iran and North Korea. The move is a rebuke to ... Trump on the eve of his summit meeting with North Korean leader Kim Jong Un, who had pledged to China's leader that he would try to save the state-controlled

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company from a crippling sanction.

"The language will be part of an amendment in the 2019 National Defense Authorization Act, a \$716 billion defense policy bill, H.R. 5515 (115). ... The action came just days after Commerce Secretary Wilbur Ross announced that the administration had reached a deal with ZTE that would allow it continue to operate. Ross met with the senators late Monday afternoon to brief them on the new settlement." [Read more.](#)

President Donald Trump and North Korean leader Kim Jong Un are pictured. | Getty

Trump and Kim stage historic meeting. | Getty

**GOOD TUESDAY MORNING** — MM's thoughts and prayers are with Kudlow and his family and friends. Disagree with him all you want, MM certainly has, but he's a good and decent man. Email me on [bwhite@politico.com](mailto:bwhite@politico.com) and follow me on Twitter [@morningmoneyben](https://twitter.com/morningmoneyben).

How can Washington help the financial well-being of future American retirees? POLITICO convened leading thinkers and policymakers to identify some solutions. [Read the full report.](#) *Presented by Prudential*

**DRIVING THE DAY** — Trump heads back to the U.S. with stops in Guam and Hawaii along the way ... Senate Banking at 10:00 a.m. votes on Fed nominees Richard Clarida (vice chair) and Michelle Bowman ... Senate Finance has a nominations hearing at 10:00 a.m. ...

POLITICO Playbook co-authors Anna Palmer and Jake Sherman will interview House Majority Whip Steve Scalise on Tuesday morning shortly after 8:00 a.m. Livestream will be [here](#). ... Consumer prices at 8:30 a.m. expected to rise 0.2 percent headline and core ...

**GOP SCOLDS TRUMP ON CANADA** — POLITICO's Burgess Everett: "Republicans can't believe it's come to this: The United States is now clashing with Canada. Already rattled by ... Trump's steel and aluminum tariffs on key U.S. allies, GOP lawmakers were increasingly alarmed Monday by the administration's condemnation of the United States' neighbor to the north.

"What was it that [Trudeau] did that was so offensive that it required that type of a comment?" asked Sen. Mike Rounds (R-S.D.). "This was very disconcerting. And I do not like to see that type of language being used without having a real strong basis for it." ... Trump knows Republicans are uneasy with his current strategy, so much so that the president called Sen. Pat Toomey (R-Pa.) on Sunday night from Singapore for a 'long' discussion about their disagreement on trade policy." [Read more.](#)

**EXPLAINING THE KUDLOW/NAVARRO RAGE** — Cowen's Chris Krueger: "The reactions from White House Trade Czar Peter Navarro and NEC Director Larry Kudlow are so outsized it would seem that Trump himself was apoplectic when he heard/saw the comments from Prime Minister Justin Trudeau and that Navarro and Kudlow were speaking to an audience of one on instruction."

**HAPPENING TODAY** — The Consumer Bankers Association is holding its Board fly-in on Tuesday and its June board meeting on Wednesday. Board members had been scheduled to meet with Kudlow. That obviously won't happen but they are still scheduled with Comptroller Otting, Acting CFPB Director Mulvaney, CEA Chair Kevin Hassett and NEC staffer Andrew Olmem.

## FLY AROUND

**JAVANKA MADE \$82M LAST YEAR**— WP's Amy Brittain, Ashley Parker and Anu Narayanswamy: "Ivanka Trump and Jared Kushner, the president's daughter and son-in-law, brought in at least \$82 million in outside income while serving as senior White House advisers during 2017, according to financial disclosure forms released Monday.

"Trump earned \$3.9 million from her stake in the Trump International Hotel in Washington and more than \$2 million in severance from the Trump Organization, while Kushner reported over \$5 million in income from Quail Ridge, a Kushner Cos. apartment complex acquired last year in Plainsboro, N.J.

"The filings show how the couple are collecting immense sums from other enterprises while serving in the White House, an extraordinary income flow that ethics experts have warned could create potential conflicts of interests. Both Kushner



and Trump have given up daily oversight of their companies as they work as unpaid senior advisers to the president." [Read more.](#)

**THE FED'S DILEMMA** — WSJ's Nick Timiraos: "No question looms larger for Federal Reserve Chairman Jerome Powell than this: How low can the U.S. unemployment rate safely go? Only twice in the past half-century has unemployment fallen to its current rate of 3.8%—for a few years in the late 1960s and for one month in 2000.

"The '60s episode spurred years of soaring inflation that would take a decade for policy makers to corral. The latter coincided with a technology bubble that, when it burst, caused the 2001 recession. The Fed is likely to announce Wednesday it is raising its benchmark short-term interest rate to a range between 1.75% and 2%, the latest in a series of increases aimed at avoiding such outcomes by keeping the economy on an even keel." [Read more.](#)

**MEET NAVARRO** — NYT's Deborah Solomon: "[H]is views do not align with most mainstream economists, who agree that China's trade practices are a problem but say tariffs are too blunt and ineffective a tool for dealing with it. And most economists do not support the steel and aluminum tariffs that the administration has imposed on allies including Japan, Canada, Mexico and the European Union. A White House economic analysis has also found that the tariffs will hurt economic growth." [Read more.](#)

**AUTOMATION HITS BANKING JOBS** — FT's Laura Noonan: "Citigroup's investment bank has suggested that it will shed up to half of its 20,000 technology and operations staff in the next five years, as machines supplant humans at a faster pace. The forecast by Jamie Forese, president of Citi and chief executive of the bank's institutional clients group, was the starkest among investment banking bosses in a series of FT interviews to mark the 10th anniversary of the financial crisis.

"Mr Forese said the operational positions, which make up almost two-fifths of investment bank employees at Citi, were 'most fertile for machine processing'. 'We've got 20,000 operational roles. Over the next five years could you make it 10,000?' he added, in comments that had echoes of former Deutsche Bank chief executive John Cryan's claim that up to half of the German bank's workforce could be replaced by technology." [Read more.](#)

## ON THE CALENDAR

Trump is on foreign travel to Singapore to participate in a summit with North Korean leader Kim Jong Un, June 11-12.

10 a.m.: The Senate Banking, Housing and Urban Affairs Committee will hold a markup to vote on the nominations of Richard Clarida and Michelle Bowman to join the Federal Reserve Board of Governors. 538 Dirksen Senate Office Building.

10 a.m.: The Senate Finance Committee will hold a hearing on several nominations, including that of Jeffrey Kessler to be an assistant Commerce secretary. 215 Dirksen Senate Office Building.

*Did we miss anything? Let Morning Money know about future events: [financecalendar@politicopro.com](mailto:financecalendar@politicopro.com)*

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**Sent:** Wednesday, March 21, 2018 5:18 AM EDT

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Morning Money FS, presented by FICO: What happens after China tariffs? — Mnuchin on trade — Citi responds on Kushner — Bank bill remains in limbo

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03/21/2018 05:17 AM EDT

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By BEN WHITE ([bwhite@politico.com](mailto:bwhite@politico.com); [@morningmoneyben](https://twitter.com/morningmoneyben)), AUBREE ELIZA WEAVER ([aweaver@politico.com](mailto:aweaver@politico.com); [@AubreeEWeaver](https://twitter.com/AubreeEWeaver))

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**WHAT HAPPENS AFTER THE CHINA TARIFFS?** — The latest [POLITICO Money podcast](#) digs into whether President Trump's planned tariffs on China are a good idea and what might happen after they go into effect.

**David Dollar, a Brookings Institution fellow** and former U.S. Treasury envoy to Beijing, argues that Trump fundamentally misunderstands the nature of the U.S. trade relationship with China and that a trade war, should it materialize, could badly damage the American economy, potentially hitting the farm sector the hardest.

Dollar: "I think the argument that we are losing out to China, that they are cheating everywhere, I think that's overblown. The administration focuses a lot on the imbalance in the relationship and that's not really a very useful metric ... The trade balance is largely a macro economic variable. In the case of the U.S., we don't save enough so as a result we run a trade deficit."

If a trade war with China escalates, Dollar said, the American farm sector could be hit hardest: "What you would find in a serious trade war is much reduced demand including for U.S. agricultural products ... Farm prices would fall and maybe even collapse. You could definitely see the economy going into recession if the trade war were serious enough."

**Celeste Drake, trade and globalization policy specialist at the AFL-CIO**, argues on the podcast that fears of a trade war are overblown and that tariffs are a useful weapon against China. "We think that trade enforcement is always a good idea ... If you are going to have rules to try to establish a level playing field on trade then they are not rules at all if you don't enforce them." [Sign up here.](#)

**One more useful thought from Dollar:** "China's overall surplus has come down very dramatically, that seems to be missing from the dialogue. Their surplus is about 1.5 percent of GDP which is not a very big deal.

"They run a surplus with the U.S. but they run a deficit with many other countries in the world because China is natural resource poor. Their overall standing is pretty balanced. We are the ones with the problem that we are not saving enough and the big tax cut that we put in place this year that is going to reduce our savings further and its almost inevitable that our overall trade deficit is going to get bigger."

**MNUCHIN ON TRADE** — MM has been arguing for some time that Treasury Secretary Steven Mnuchin is temperamentally disinclined to buck Trump on trade even if he might personally disagree. That's certainly been true of Mnuchin at the G-20 in Buenos Aires.

Via the FT's Benedict Mander: "Mnuchin ... has dismissed fears of a brewing trade war between the US and China as policymakers from leading economies wrapped up an annual meeting overshadowed by the US embrace of new tariffs. In a closing communiqué on Tuesday, finance ministers and central bank governors from the Group of 20 industrialised nations called for 'further dialogue and actions' on trade. But Mr Mnuchin rejected accusations that the Trump administration was engaging in a wave of protectionism by imposing tariffs on steel and aluminium that are set to take effect on Friday.

"The US is also poised to announce tariffs aimed at China in the coming days. 'This is not about protectionism,' Mr Mnuchin told reporters, saying President Donald Trump had telegraphed his plans to take on unfair trade practices well in advance. 'We need to be prepared to act in US interests to defend free and fair and reciprocal trade,' Mr Mnuchin said. 'There is always a risk that people reciprocate ... but we are not afraid of getting into a trade war.'"

**CITI RESPONDS ON KUSHNER** — Citigroup in a letter responding to a group of Democratic Senators lead by Elizabeth Warren request for information about the bank's lending to Kushner Companies: "[O]ur DUMBO Heights mortgage loan transaction was completely appropriate.

"The Kushner family has been a client of Citi for decades. Citi has worked with the real estate companies associated with the Kushner family ... as a potential source of commercial mortgage loans and has offered loans to and transacted with the Kushner Companies over the years." [Full letter](#).

**BANK BILL REMAINS IN LIMBO** — POLITICO's Zachary Warmbrodt: "A bipartisan bank deregulation bill backed by ... Trump will likely remain in limbo for several more weeks, with the House and Senate at odds over what appear to be irreconcilable differences. Finger-pointing over the future of the legislation, which the Senate passed last week, is escalating after House Republicans vowed to sit on the bill until senators agree to negotiate a list of potential amendments.

"Senate Republicans and Democrats are publicly calling on the House to simply pass the bill, with the understanding that they would figure out a way to advance more House proposals at a later date. Senators argue that Democrats are willing to withhold support for the legislation if House changes are included." [Read more](#).

**OMNIBUS STUCK** — POLITICO's Burgess Everett, Rachael Bade, Sarah Ferris, and Heather Caygle: "Congressional leaders are racing to finalize a spending bill by the end of Tuesday but find themselves still at odds over a host of controversial issues — delaying plans to unveil the proposal and raising the prospect of weekend votes to avoid a shutdown." [Read more](#).

**\*\* A message from FICO:** Don't be fooled. VantageScore isn't an independent startup — it's owned by the three credit bureaus. Allowing the credit bureaus to offer a credit score they own in mortgage lending decisions would consolidate their power over the entire credit reporting process. That's not good for competition or consumers. [Read More](#). \*\*

**PETER G. PETERSON REMEMBERED** — Via Bloomberg: "Peter G. Peterson, the Wall Street rainmaker with global connections who emerged from a fight for control of Lehman Bros. to become a billionaire as co-founder of the private-equity firm Blackstone Group LP, has died. He was 91. He died Tuesday at his home in New York City, according to an emailed statement from his family.

"The son of Greek immigrants, Peterson served as U.S. Commerce secretary under President Richard Nixon and assembled contacts and diplomatic skills that he used to become a leading architect of international business ...

"Peterson bridged finance and public policy throughout his business career. He was chairman of the Council on Foreign Relations for two decades and co-founded the Concord Coalition, a nonpartisan advocacy group, to sound the alarm about mounting government deficits." [Read more](#).

**Mike Bloomberg:** "Pete Peterson was one of the great patriots and philanthropists of our time, and he was a great friend whom I deeply admired. He knew his extraordinary life story was only possible in America, and of his many achievements, he was proudest of the work he did to ensure that future generations have the same chance to pursue the American Dream that he did."

Rep. Jeb Hensarling is holding up the Senate's banking bill. | AP Photo

**GOOD WEDNESDAY MORNING** — Welcome to Spring! Acela corridor about to get walloped by a foot of snow or more. Because of course it is. Email me on [bwhite@politico.com](mailto:bwhite@politico.com) and follow me on Twitter [@morningmoneyben](https://twitter.com/morningmoneyben). Email Aubree Eliza Weaver on [aweaver@politico.com](mailto:aweaver@politico.com) and follow her on Twitter [@AubreeEWeaver](https://twitter.com/AubreeEWeaver).

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**THIS MORNING ON POLITICO PRO FINANCIAL SERVICES** — **Katy O'Donnell: CARSON TRIES DAMAGE**

**CONTROL ON FURNITURE AT HEARING** — "Secretary Ben Carson sought to do damage control on Tuesday in his first appearance on Capitol Hill since news surfaced of the planned purchase of a \$31,000 dining table for his office suite. 'I'm not really big into decorating — if it was up to me my office would probably look like a hospital waiting room,' Carson told

a House Appropriations subcommittee on housing, after the panel's top Democrat, Rep. [David Price](#) (D-N.C.), slammed him for 'ethical lapses' at the department. Carson recounted being told the existing table needed to be replaced. 'It's 50 years old. I said, 'OK, we can potentially do that.' I asked my wife also to help me with that. They showed us some catalogs. The prices were beyond what I wanted to pay — I made it clear that that just didn't seem right to me, and you know, I left it with my wife. I said help choose something,' Carson said." [Read more.](#)

**DRIVING THE DAY** — Big day for Jay Powel and the Fed. FOMC at 2:00 p.m. expected to announced a quarter point hike and promise only "gradual" further hikes including a total of three this year ... Powell will conduct his first presser as chair at 2:30 p.m. and is expected to sound bullish on growth but not overly worried about inflation ...

President Trump holds a Cabinet meeting at 11:30 a.m. and hosts the Financial Services Forum at 2:00 p.m. in the Roosevelt Room ... Senate Budget Committee at 10:30 a.m. holds a hearing on "The Economic Report of the President" with CEA Chair Kevin Hassett ... House Financial Services marks up a series of bills at 10:00 a.m. including one to give the Fed more authority over the Volcker Rule ... Current account deficit for Q4 at 8:30 a.m. expected to rise to \$125B from \$100.6B ...

**NEW AT TREASURY** — Per release late Tuesday, Trump nominated "Michael Faulkender of Maryland, to be an Assistant Secretary of the Treasury (Economic Policy). Dr. Faulkender is currently the Associate Dean of Masters Programs and a Professor of Finance at the Smith School of Business at the University of Maryland."

**FROM THE CAN'T MAKE IT UP FILES**— WP's Carol D. Leonnig, David Nakamura and Josh Dawsey: "President Trump did not follow specific warnings from his national security advisers Tuesday when he congratulated Russian President Vladimir Putin on his reelection — including a section in his briefing materials in all-capital letters stating 'DO NOT CONGRATULATE,' according to officials familiar with the call.

"Trump also chose not to heed talking points from aides instructing him to condemn the recent poisoning of a former Russian spy in Britain with a powerful nerve agent, a case that both the British and U.S. governments have blamed on Moscow." [Read more.](#)

**Trump's decision to congratulate** Putin despite warnings from his national security team is remarkable enough. But the fact that it leaked almost immediately is perhaps even more striking. Clearly at least some of Trump's top advisers believe the president is not able to do the job.

**POWELL PREP** — Pantheon's Ian Shepherdson: "[W]e expect a 25bp rate hike, with no significant changes in the statement, and a repeat of the median forecasts of three rate hikes this year. To add another dot this year, five FOMC members would have to flip, and that seems a tall order.

"We would not be surprised, though, to see fewer forecasts at the low end of the range and a couple moving to the upside. In December, only three members expected four hikes this year, with one looking for five. For 2019, though, we expect the median forecast to move to three hikes from two; that requires only two FOMC members to increase their forecasts"

**FACEBOOK WOES MOUNT** — POLITICO's Ashley Gold and Nancy Scola: "Facebook is launching the beginnings of a charm offensive in Washington as controversy builds over revelations that the social network's user data was improperly accessed by Trump-affiliated firm Cambridge Analytica.

"The company said it's sending staffers to brief a half dozen of Capitol Hill's most powerful committees this week, including the Intelligence, Commerce and Judiciary panels in both chambers. But the briefings may not be enough to satisfy the growing number of lawmakers who want Facebook CEO Mark Zuckerberg or Chief Operating Officer Sheryl Sandberg to testify on the Hill." [Read more.](#)

**CHINESE TARIFF IMPACT** — Via the Tax Foundation: "If the Trump administration follows through with plans to impose \$60 billion worth of tariffs on Chinese imports, it could negate more than 20 percent of the annual benefits of the recently-enacted Tax Cuts and Jobs Act (TCJA)."

**TRANSITIONS** - Leigh Feldman is now managing director at Promontory Financial Group, an IBM Company, and the head of the firm's U.S. privacy practice within the global privacy and data protection team. He was previously Citi's head of privacy and information compliance and the chief global privacy officer.

## MARKETS

**STOCKS END MOSTLY HIGHER, BAD NEWS FOR FACEBOOK** — AP's Marley Jay: "Stock indexes finished mostly higher after a day of bouncing around Tuesday as retailers, energy companies and banks recovered some of their losses from the day before, but technology companies struggled as Facebook dropped again. Amazon led a rally among retailers, and it passed Alphabet, Google's parent, as the second most-valuable U.S.-listed company, while energy companies rose with oil prices. Banks rose along with interest rates as the leaders of the Federal Reserve met. They are expected to raise interest rates on Wednesday.

"Facebook sank following reports that the Federal Trade Commission will investigate its handling of user data while authorities in the U.S. and U.K. demanded answers from the company. That came after reports that Cambridge Analytica, a data mining firm working for President Donald Trump's campaign, improperly obtained data on 50 million Facebook users without their permission. While Facebook stock regained a portion of its losses at the end of the day, it has fallen more than 9 percent this week." [Read more.](#)

**AMAZON TOPS ALPHABET** — Reuters' Noel Randewich and April Joyner: "Amazon.com became the second most valuable publicly listed U.S. company on Tuesday, surpassing Google parent company Alphabet Inc for the first time. Amazon shares finished up 2.69 percent at \$1,586.51, for a market capitalization of \$768 billion, underscoring Wall Street's confidence in its relentless expansion into cloud computing, groceries and other new businesses" [Read more.](#)

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## FLY AROUND

**WHAT COULD KNOCK DOWN THE ECONOMY?** — NYT's Ben Casselman: "[M]any economists also argue that the seeds of the next crisis are being sown today, even if it is several years before they poke above the surface. Good times are meant to give governments an opportunity to get their fiscal houses in order and address long-term challenges. Instead, the United States is piling on debt and adopting policies — immigration restrictions, increased trade barriers, looser financial regulation — that many economists view as counterproductive." [Read more.](#)

**FINANCE MINISTERS SWING AND MISS ON TRADE** — WSJ's Josh Zumbrun, Andrea Thomas and Paul Kiernan: "Finance ministers and central bankers from the Group of 20 countries failed to reach a new agreement on trade, amid a deepening split between the U.S. and other major economies over Washington's plans to impose tariffs on steel and aluminum." [Read more.](#)

**CITI CEO UNAWARE OF LOAN WHEN HE MET WITH KUSHNER** — Bloomberg's Dakin Campbell: "Citigroup Inc. said Chief Executive Officer Michael Corbat was unaware that the bank was in the process of closing a real estate loan to a Kushner Cos. venture when he met with Jared Kushner." [Read more.](#)

**NEW YORK FED DIRECTOR OVERSEEING LEADERSHIP SEARCH STEPS DOWN** — WSJ's Michael Derby: "One of the people overseeing the search for a new Federal Reserve Bank of New York president resigned from the bank's board of directors Saturday, a day after officials said they had narrowed their list of candidates for the bank's top job. David Cote, the executive chairman of Honeywell International Inc., had served as a Class B director representing the public and not financial firms since 2014. Mr. Cote was one of four New York Fed board members managing the search for a successor to President William Dudley, who late last year said he would step down this summer.

"The New York Fed said Tuesday that Mr. Cote left the board because 'he is considering pursuing new business opportunities that could affect his eligibility to serve as a Class B director.' Mr. Cote stepped down as chief executive of Honeywell last year. A spokesman with Honeywell said Mr. Cote wasn't taking questions." [Read more.](#)

**MONEY MANAGERS WORRY OVER POSSIBLE TRADE WAR** — FT's Adam Samson, Chris Flood and Chloe Cornish: "Money managers have flagged the spectre of a trade war as their top 'tail risk' for the first time in more than a year, according to a closely watched survey released on Tuesday that highlights growing caution among some investors. Three-



in-10 participants surveyed this month by Bank of America Merrill Lynch said a trade war was the biggest risk to global markets, the first time it registered at the top of the list since January 2017.

"The survey of 176 participants with \$514bn of assets under management was taken during a month when the Trump administration triggered hefty tariffs on steel and aluminum imports. Nervousness over protectionism emerges as conviction among investors builds that the global economy is slowing. Almost three-quarters of the investors surveyed said they believed the economy was now in a late stage of the cycle, the highest percentage since BofA began the poll."

[Read more.](#)

## ON THE CALENDAR

10 A.M.: The House Financial Services Committee will hold a markup of several items, including the "Protecting Veterans' Credit Act of 2017" and the "Ensuring Quality Unbiased Access to Loans Act of 2018." 2128 Rayburn House Office Building.

10:30 a.m.: The Senate Budget Committee will hold a hearing on "The Economic Report of the President." Kevin Hassett, chairman of the Council of Economic Advisers, will testify. 608 Dirksen Senate Office Building.

11 a.m.: The House Small Business Committee will hold a hearing on "American Infrastructure and the Small Business Perspective." 2360 Rayburn House Office Building.

*Did we miss anything? Let Morning Money know about future events: [financecalendar@politicopro.com](mailto:financecalendar@politicopro.com)*

**\*\* A message from FICO:** FICO is the independent standard in credit scoring, trusted by lenders and securitization experts for decades. FICO supports a competitive review of credit scores in mortgage lending, but the only other score being considered is VantageScore, which is owned by the three credit bureaus. Allowing the credit bureaus to offer a score they own in a system where they are the single point of sale and distribution for both credit reports and scores would not increase competition or innovation, it would consolidate their power. What's more, introducing a score with lower minimum scoring criteria could result in riskier loans, while doing little to expand mortgage access. Let's keep credit scores independent and reliable. [Read More.](#) \*\*

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**Sent:** Thursday, March 01, 2018 5:17 AM EST

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Morning Money FS: Warren targets Wall Street harassment — Steel announcement coming Thursday? — Kushner loans under New York lens — About those tax cut bonuses

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**SCOOP: WARREN TARGETS WALL STREET HARASSMENT** — Sen. Elizabeth Warren (D-Mass.), along with Sens. Catherine Cortez Masto (D-Nev.) and Dianne Feinstein (D-Calif.), is sending letters on Thursday to the SEC and FINRA seeking data on the prevalence of sexual harassment on Wall Street and what finance industry regulators are doing about it.

The letters come in the midst of the #MeToo movement and as very few claims of sexual harassment have arisen from the nation's biggest banks. The concern is that arbitration agreements and settlements - along with fear of losing out on big paydays - may be blocking people from speaking out.

**In the letter to the SEC, Warren and the other senators write:** "The financial sector ... has had fewer public revelations of sexual harassment than other industries. This disparity is not, according to female employees, a sign that sexual harassment does not occur ... Rather, the silence appears to result from strong 'cultural and financial forces' in the industry that discourage speaking out." [Full letter](#).

**From the FINRA letter:** "We are writing today to request any information that the Financial Industry Regulatory Authority (FINRA) may have on the prevalence of sexual harassment within the financial services industry. Because FINRA is the primary regulator of brokers, we are interested in learning more about FINRA's efforts to collect data about broker-perpetrated harassment." [Full letter](#).

**STEEL ANNOUNCEMENT COMING THURSDAY?** — Lot of buzz flying around Wednesday night that the White House could make an announcement on Thursday about tariffs on imported steel following the Commerce Department issuing several recommendations for possible action including a 24 percent global levy. Commerce recommended lower tariffs on aluminum. POLITICO's Andrew Restuccia and Adam Behsudi have details [here](#) of a situation that remained very much in flux as of late Wednesday

**It's been the subject of fierce debate** within the White House with NEC Director Gary Cohn and other free-traders pushing back hard against Commerce Secretary Wilbur Ross, USTR Robert Lighthizer and trade adviser Peter Navarro who are in favor of the steep tariffs. Any delay would suggest the fight is not yet over. The announcement would come the same day that Cohn, Lighthizer and Treasury Secretary Steven Mnuchin are scheduled to meet with Liu He, Chinese President Xi Jinping's top economic adviser.

**President Trump has leaned toward the protectionists** on this one. And as Axios' Jonathan Swann noted on Twitter on Wednesday night, the trade process is less smooth now that Rob Porter is out of the White House.

In some other cases, Trump has backed off or settled for a less aggressive stance than the protectionists want. If he goes for the full 24 percent global tariff, it could have a significant impact on stocks, notably automakers, but perhaps much more broadly. If something gets announced on Thursday it's not expected to be fully formed enough for Trump to actually sign.

**KUSHNER LOANS UNDER THE NY LENS** — Bloomberg's Greg Farrell and David Kocieniewski: "New York's banking regulator has asked Deutsche Bank AG and a pair of local lenders to provide information about their relationships with Jared Kushner, his family and the Kushner Cos., according to people familiar with the matter.

"The state's Department of Financial Services sent letters to the German lender as well as Signature Bank and New York Community Bank last week, said one of the people, who described the letter. The request was broad, covering the banks'

relationships with Kushner and his business properties" [Read more.](#)

**CHILLING AFFECT ON KUSHNER BUSINESS?** — A deeply plugged in New York banking lawyer notes to MM that the letters could scare other lenders away from Kushner Companies, a potentially crippling blow for a real estate company. "Imagine you are asked by Kushner Companies for a loan now? Do you make it? What this is going to say is that the mark of Cain is going to be on these loans."

Meanwhile, the NYT [reports](#) that Kushner Companies got big loans from Apollo Management and Citigroup after executives from both firms met with Kushner at the White House. Citigroup and Apollo say the loans had nothing to do with the visits.

**ABOUT THOSE TAX CUT BONUSES** — Per POLITICO's Aaron Lorenzo on this Just Capital [study](#): "Some of the largest publicly traded companies have so far committed to spending 6 percent of the benefits they have gotten from tax cuts on bonuses, raises and other worker benefits, according to a new analysis by a group that ranks companies based on public sentiment."

"Those companies have not said publicly how they will allocate 58 percent of their windfall, according to the study ... They have committed to distributing a combined 22 percent for job creation, 7 percent for what the group called 'socially responsible' products and services, 4 percent for rate and fee reductions for customers or customer service improvements, and 3 percent for charitable or community giving" [Read more.](#)

**AND THE COSTS ARE GOING UP** — Per POLITICO's David Rogers: "Between new cost estimates and the White House's own budget numbers, the wheels are coming off Republican claims that President Donald Trump's tax cuts will pay for themselves by generating increased growth and government revenues over the next decade."

"Not only will this tax plan pay for itself but it will pay down debt," Treasury Secretary Steven Mnuchin famously boasted last September. But his own department's analysts now peg the 10 year-cost at \$2.3 trillion given the administration's assumption that tax breaks for individuals and large estates will be extended past 2025.

"POLITICO's own calculations, working entirely from data in the 2018 and 2019 budgets, indicates that the added revenues generated by the tax cuts themselves would fall substantially short of matching \$2.3 trillion." [Read more.](#)

**THE RISE OF "WOKE CAPITALISM"** — Retail giant Walmart on Wednesday night [joined the parade](#) of big corporations responding to the Parkland mass shooting, announcing it would no longer sell guns and ammunition to anyone under 21. The retailer also said it was "removing items from our website resembling assault-style rifles, including nonlethal airsoft guns and toys."

Walmart followed Dick's Sporting Goods, which on Wednesday [said it would](#) raise the gun buying age to 21 and stop selling assault-style rifles. The moves follow a raft of companies including Delta, United Airlines, MetLife, Hertz and several others announcing they would remove discounts for NRA members.

NYT columnist Ross Douthat argues [here](#) that what he calls "woke capitalism" is basically performance art as corporations look to endear themselves to the left in the culture wars to buy themselves credibility for embracing tax cuts and deregulation and mostly keeping the benefits for executives and shareholders (see above.)

There's probably some truth to that. But the wokeness is motivated much more by a desire to retain younger and affluent consumers who are increasingly inclined to punish companies viewed to be on the wrong side of hot-button issues like gay marriage and guns. BI's Josh Barro goes [more into this view](#) of why this is happening and he probably has it right.

**SPEAKING OF GUNS** — POLITICO's Elana Schor and Burgess Everett on Wednesday's wild White House summit meeting: "Trump dramatically shook up the firearms debate on Capitol Hill on Wednesday — if he can stick to his guns. During an hour-long televised meeting with lawmakers in both parties, Trump stiff-armed congressional Republicans' guns strategy while endorsing some bipartisan ideas Democrats are pushing."

"But as Washington grapples for a response to the Feb. 14 massacre in Parkland, Fla., Trump's ability to find results will depend on whether he can prod the GOP-led Congress to move beyond its comfort zone on guns. Members of both parties were highly uncertain on Wednesday about whether Trump would maintain his embrace of gun-control proposals that are bitterly opposed by the National Rifle Association and anathema to many conservatives on Capitol Hill" [Read more.](#)

**GOOD THURSDAY MORNING** — Email me on [bwhite@politico.com](mailto:bwhite@politico.com) and follow me on Twitter [@morningmoneyben](https://twitter.com/morningmoneyben). Email Aubree Eliza Weaver on [aweaver@politico.com](mailto:aweaver@politico.com) and follow her on Twitter [@AubreeEWeaver](https://twitter.com/AubreeEWeaver).

**THIS MORNING ON POLITICO PRO FINANCIAL SERVICES — Colin Wilhelm: CFPB'S MULVANEY URGES STATES TO PLAY BIGGER ROLE IN ENFORCEMENT CASES** — "CFPB acting Director Mick Mulvaney on Wednesday urged states to take greater initiative in enforcement actions against financial companies and pledged that the consumer bureau would continue to police its beat under the Trump administration. 'We are going to be looking at the [state] regulators and the states attorney[s] general for a lot more leadership when it comes to enforcement,' Mulvaney told a gathering of attorneys general in Washington. He was pressed on whether the bureau might side with financial companies in civil suits brought by states against them. 'If we think it's a good case, we'll bring it; if not, we'll get out of the way and let y'all do it yourselves,' said Mulvaney, the White House budget chief who's heading the CFPB until a permanent replacement is named." [Read more.](#)

**DRIVING THE DAY** — Possible steel and aluminum announcement ... Fed Chair Jay Powell returns to the Hill to give semi-annual monetary policy report before Senate Banking at 10:00 a.m. ... Personal Income and Spending at 8:30 a.m. both expected to rise 0.2 percent ... ISM Manufacturing at 10:00 a.m. expected to dip to 59.1 from 59.0 ...

**BANK TRADES PUSH BACK ON DATA SECURITY**— A group of financial trades is sending a letter to the Hill today pushing back on claims from retail groups.

From the letter: "Contrary to statements made recently by some retailer groups, banks and credit unions have long been subject to regulatory mandates that set rigorous data protection and breach notification practices for financial institutions to follow." [Full letter.](#)

**MNUCHIN PRESSES UCLA TO TAKE DOWN SPEECH** — WSJ's Kate Davidson and Nour Malas: "Treasury Secretary Steven Mnuchin asked the University of California, Los Angeles not to post a video of his recent public appearance at which he was heckled by students. ...

"UCLA spokeswoman Peggy McInerney wrote in an email on Tuesday that Mr. Mnuchin 'has retracted his permission for the Burkle Center to post its video and podcast of yesterday's event on its website, so we are unable to share either recording with you.'

A spokeswoman for Mr. Mnuchin didn't dispute that he requested the university not post the video of the event." [Read more.](#)

A partial transcript of the event is [here](#).

**MUELLER FOCUSED ON 2015** — Fox Business's Charlie Gasparino, Brian Schwartz: "Investigators working for special prosecutor Robert Mueller are beginning to focus on the months leading up to ... Trump's June 2015 decision to run for president as they probe into whether associates of the president colluded with Russian officials to influence the election ...

"Mueller's team recently asked witnesses to provide any information they have about Trump's business dealings in Russia, with particular focus on March to June 2015, according to people with direct knowledge of the matter. These people say some of the questions being asked involve any details the witnesses might have on an aborted attempt to build a Trump-branded hotel in Moscow around the time Trump announced his candidacy in June 2015." [Read more.](#)

## FLY AROUND

**REGULATORS EXAMINE VOLCKER RULE** — Reuters' Pete Schroeder: "U.S. regulators are considering changes to the 'Volcker rule' Wall Street has sought for years that would make it easier and cheaper for banks to comply and allow them more leeway in trading and investing, according to several regulatory and industry sources. ...

"[B]anks and some of their customers say the rule, which runs at more than 1,000 pages, is too much of a burden for the financial industry by limiting banks' ability to facilitate investments and hedges for investors and depressing trading volumes in some assets." [Read more.](#)

**IS AN INFLATION SURPRISE AHEAD?** — WSJ's Greg Ip: "Inflation is going to head up this year—on that there isn't much debate. The real debate is over whether it will be a nonevent or something more ominous. The Federal Reserve and most of Wall Street think it will be a nonevent.

"But there is a plausible scenario in which it marks a new, dangerous trend. Even if you think it unlikely, you need to give this scenario serious thought because trillions of dollars of investments are geared to inflation being dead." [Read more.](#)

**VOLATILE MONTH SEES S&P 500 FALL NEARLY 4 PERCENT** — FT's Robin Wigglesworth and Peter Wells: "Wall Street ended a tumultuous month on a sour note on Wednesday, suffering a second consecutive decline of over 1 per cent and slipping to its worst monthly performance in more than two years.

"The S&P 500 had stayed in positive territory for most of the day, but the bounce came undone in the final hour of trading, as it closed 1.1 per cent lower, with the Dow Jones Industrial Average sinking 1.5 per cent. The Nasdaq Composite finished 0.8 per cent weaker. For February, the S&P 500 fell 3.9 per cent, the first monthly drop since March." [Read more.](#)

**SEC CONTINUES ICO CRACKDOWN** — Bloomberg's Matt Robinson: "Expanding a broad crackdown on fraudulent initial coin offerings, U.S. regulators have sent a number of subpoenas to firms they suspect might be violating securities laws, said a person with direct knowledge of the matter.

"The Securities and Exchange Commission has been concerned for months that some ICOs are raising money for businesses that don't even exist. The agency has issued subpoenas to firms and individuals behind specific offerings that it believes might be breaking the law, said the person who asked not to be named because the investigations aren't public." [Read more.](#)

**MORE FIRINGS AT BOFA** — WSJ's Rob Copeland and Rachel Louise Ensign: "Bank of America Corp. fired two employees in its hedge-fund-focused prime-brokerage unit as it expands an investigation into potential sexual misconduct in the division, people familiar with the matter said. The bank fired the employees after determining they interfered with the probe of alleged inappropriate behavior by Omeed Malik, until recently one of the top executives in the unit, the people said. The fired employees, Valerie Ludorf and Joe Voboril, were earlier placed on leave, they said.

"Mr. Malik was fired in January in the wake of complaints from female employees about unwanted advances, The Wall Street Journal earlier reported. The bank said in a recent Financial Industry Regulatory Authority filing that Mr. Malik was 'discharged [for] personal conduct in violation of firm standards, including interfering with the firm's review of the matter.'" [Read more.](#)

**IS BITCOIN A WASTE OF ELECTRICITY OR SOMETHING WORSE?** — NYT's Binyamin Appelbaum: "A manufacturing start-up recently announced plans to move into a shuttered aluminum factory in upstate New York, taking advantage of abundant cheap electricity from the St. Lawrence River. Instead of smelting aluminum, however, the company plans to turn that power into Bitcoins.

"Money is supposed to be a means of buying things. Now, the nation's hottest investment is buying money. And the investment rush is raising questions about whether one reason for the slow pace of economic growth in recent years is that the nation is busy distracting itself. While Bitcoin mining may not be labor intensive, it diverts time, energy and capital from other, more productive activities that economists say could fuel faster growth." [Read more.](#)

## ALSO FOR YOUR RADAR

**HOPE HICKS OUT** — POLITICO's Darren Samuelsohn: "White House communications director Hope Hicks said Wednesday she plans to resign, leaving ... Trump without one of his longest-serving aides and strongest defenders.

"There are no words to adequately express my gratitude to President Trump," Hicks said in a statement provided by the White House, in which she did not say what she planned to do next. "I wish the President and his administration the very best as he continues to lead our country." [Read more.](#)

**KUSHNER ACTS LIKE EVERYTHING IS NORMAL** — POLITICO's Nancy Cook and Andrew Restuccia: "Jared Kushner showed up for work at the White House on Wednesday and acted like everything was normal. ... Trump's son-in-law and

FHFA-19-0753-A-000312



adviser attended the daily senior staff meeting, where he launched into a discussion about Trump's 2020 reelection bid, according to an administration official.

"He was in the meeting despite his recent security clearance downgrade, first reported Tuesday by POLITICO, and a Washington Post story that detailed discussions among foreign officials about using Kushner's tangled business relationships to manipulate him. For more than a year, Jared Kushner has snuffed out any whiff of insurrection against him" [Read more](#).

## ON THE CALENDAR

9 a.m.: Small Business Administrator Linda McMahon and OMB Director Mick Mulvaney will participate in a U.S. Chamber of Commerce discussion on "Restoring Small Business Lending." 1615 H St. NW.

10 a.m.: Federal Reserve Board Chairman Jerome Powell will testify at a Senate Banking, Housing and Urban Affairs Committee hearing on "The Semiannual Monetary Policy Report to Congress." 538 Dirksen Senate Office Building.

*Did we miss anything? Let Morning Money know about future events: [financecalendar@politicopro.com](mailto:financecalendar@politicopro.com)*

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## The Lede

### **MBA: Mortgage Delinquencies Up, Foreclosures Down in 4Q National Delinquency Survey**

Delinquency rates for mortgage loans rose in the fourth quarter after hitting 10-year lows the previous quarter, the Mortgage Bankers Association reported.

[Full Story](#)

## Top National News

### **Mortgage Delinquencies Among Some Homeowners Just Spiked**

CNBC, Feb. 15, 2017--Diana Olick  
Mortgage Bankers Association President and CEO David Stevens, CMB appeared on CNBC to discuss the MBA 4th Quarter National Delinquency Survey.

[\(More\)](#)

### **CMBS Issuance Down as Multifamily, GSE Lending Up**

Mortgage Daily, Feb. 21, 2017  
Estimates were based on an analysis of CRE lending reports issued by the Mortgage Bankers Association.

[\(More\)](#)

### **Ocwen's Board Chair Makes Diversity Her Mission**

National Mortgage News, Feb. 15, 2017--  
Bonnie Sinnock (subscription)  
When Phyllis Caldwell was considering whether to accept a seat on Ocwen's board of directors, one of the items she prioritized was the company's commitment to diversity. "Ensuring that women and minorities are involved in leadership roles brings different background, experiences, and points-of-view to the forefront, ultimately making a more successful enterprise," emphasized Rodrigo Lopez, CMB, chairman of the Mortgage

Bankers Association and executive chairman of NorthMarq Capital.

(More)

### **Fannie Mae Reports \$5 Billion in 4Q Net Income**

National Mortgage News, Feb. 17, 2017--  
Jacob Passy (subscription)  
Fannie Mae reported higher net income in the fourth quarter over the previous year.

(More)

### **Fannie Mae's Focus Will Not Change with New Administration, CEO Says**

National Mortgage News, Feb. 17, 2017--  
Brad Finkelstein (subscription)  
The change of power in the White House will not affect Fannie Mae's focus for 2017 in bringing innovations similar to the Day 1 Certainty program to its customers, CEO Timothy Mayopoulos said in an interview.

(More)

### **Fannie Mae's Support of Invitation Homes' IPO Boosts SFR Market**

GoRion, Feb. 17, 2017--Kerry Curry  
Fannie Mae's backing of Invitation Homes' recently completed IPO bodes well for the future of the single-family rental market as the government-sponsored enterprise's decision to securitize a \$1 billion loan adds an important layer of credibility.

(More)

### **Court of Appeals Agrees to Rehear CFPB Case, Agency to Fight 'Unconstitutional' Ruling**

HousingWire, Feb. 16, 2017--Ben Lane  
If President Donald Trump wants to fire Consumer Financial Protection Bureau Director Richard Cordray, he's going to have to wait a little longer to do it, as the U.S. Court of Appeals for the District of Columbia Circuit ruled Thursday in favor of the CFPB. The ruling allows the embattled agency to defend the constitutionality of its leadership structure.

(More)

### **Say Goodbye to the Controversial CFPB Consumer Complaint Database?**

HousingWire, Feb. 14, 2017--Brena Swanson  
The Consumer Financial Protection Bureau's consumer complaint database might not make it too much further past the one-millionth-complaint threshold due to a Republican-led effort to repeal the much-criticized database.

(More)

### **Mortgage Lenders Urged to Simplify Loan Mods**

National Mortgage News, Feb. 16, 2017--  
Brad Finkelstein (subscription)  
Developers of new loan-modification programs need to streamline application processes and stop making borrowers chase down useless documents.

(More)

### **Trump's In-Laws May Put Fannie Mae, Freddie Mac in Tough Spot**

Bloomberg, Feb. 17, 2017--Joe Light  
Kushner Cos. has apartment buildings from New Jersey to Maryland with more than \$500 million in government-backed mortgages financed by Fannie Mae and Freddie Mac. That could put officials at those agencies in an awkward spot: If Kushner Cos. applies for a new loan, or wants to refinance, would Freddie turn them down? If Kushner Cos. fails to comply with the terms of a loan, will Fannie seek to foreclose on a property owned by the president's in-laws?

(More)

### **'Rocket Mod:' The Future of Mortgage Default Servicing?**

HousingWire, Feb. 15, 2017--Ben Lane  
Over the last few years, technological advancements took mortgage originations from the fax machine to the smartphone and from months of waiting to approval in minutes. Could the same thing be coming for mortgage modifications?

(More)

### **CFPB Analyst: We Use Consumer Complaint Database as Insider Guide for Exams**

HousingWire, Feb. 15, 2017--Ben Lane  
Speaking during the "Preparing for Servicing Exams" session at the Mortgage Bankers Association's National Mortgage Servicing Conference, being held currently in Dallas, CFPB Senior Analyst Ann Thompson said that the CFPB uses the complaint database as a guide for determining whether to pursue an exam against a particular company.

(More)

### **Freddie Earnings Jump Thanks to Interest Rate Increases**

National Mortgage News, Feb. 16, 2017--  
Brian Collins (subscription)  
Freddie Mac's net income increased to \$4.8 billion in the fourth quarter, more than double what it earned a quarter earlier, the government-sponsored enterprise announced Thursday.

(More)

### **Nearly \$800 Million in GSE Loans for Sale**

### **Sale**

Mortgage Daily, Feb. 17, 2017

Nearly \$800 million in distressed government-sponsored enterprise residential loans have been put on the auction block.

[\(More\)](#)

### **Can Ocwen Reinvent Itself?**

National Mortgage News, Feb. 14, 2017--

Bonnie Sinnock (subscription)

Few companies attacked the financial-crisis fueled boom in distressed servicing as aggressively as Ocwen Financial Corp., and not many have survived as abrupt a reversal of fortune as the company has faced.

[\(More\)](#)

### **Ocwen Agrees to Big Penalties to Resume Business in California**

National Mortgage News, Feb. 17, 2017--

Kevin Wack (subscription)

Ocwen Financial has reached a deal with California authorities to resolve allegations that the mortgage servicing firm--a frequent target of regulators in recent years--again violated a range of state and federal laws.

[\(More\)](#)

### **MGIC Relaxes Program Requirements**

Mortgage Daily, Feb. 21, 2017

MGIC has relaxed some of its underwriting guidelines. Among the changes are higher loan-to-value ratios, increased loan amounts and reduced credit scores.

[\(More\)](#)

### **Mortgage Payments Eat Up More Median Household Income**

National Mortgage Professional, Feb. 16, 2017--Phil Hall

What is the true cost of homeownership? According a new data analysis from Zillow, today's typical monthly mortgage payment requires more of the average household income than it has anytime in the previous six years.

[\(More\)](#)

### **AIG Posts \$3.04 Billion Loss, Adding to CEO Hancock's Woes**

Bloomberg, Feb. 14, 2017--Sonali Basak; Lisa Du

American International Group Inc. posted its fourth loss in six quarters, burned again by higher-than-expected claims costs as Chief Executive Officer Peter Hancock struggles to sustain profitability.

[\(More\)](#)

### **Mortgage Investor Premium Point Discloses SEC Probe**

Reuters, Feb. 14, 2017--Lawrence Delevigne

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Reuters, Feb. 14, 2017--Lawrence D'Onofrio  
Premium Point Investments LP is under  
investigation by the Securities and Exchange  
Commission over the valuation of structured  
products and other assets held by its funds,  
according to a letter sent to clients of the  
New York-based investment firm.

[\(More\)](#)

### **Fix-and-Flip Mortgage Bonds: Wall Street's New Housing Bet to Boost Home Flippers**

Inman.com, Feb. 15, 2017--Teke Wiggin  
New mortgage-backed securities could  
benefit communities, but also may raise  
concerns.

[\(More\)](#)

### **U.S. Household Debts Climbed in 2016 by Most in a Decade**

Wall Street Journal, Feb. 16, 2017--Josh  
Zumbrun (subscription)

The total amount of debt held by American  
households climbed in 2016 by the most in a  
decade, driven by broad and steady  
increases in credit card debt, auto and  
student loans, and a fourth-quarter surge to  
the highest amount of mortgage originations  
since before the financial crisis.

[\(More\)](#)

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## **News & Trends**

### **Motley: Servicers Must Plan Now for Rough Waters**

DALLAS--After years of turbulence, the  
mortgage servicing industry finds itself in  
relatively stable condition. Mortgage Bankers  
Association J. David Motley, CMB, says now  
is the time for servicers to plan for the next  
rough period.

[Full Story](#)

### **MBA: 2017 Commercial/Multifamily Loan Maturities Down**

SAN DIEGO--The Mortgage Bankers  
Association reported \$175.9 billion of the  
\$1.7 trillion of outstanding commercial and  
multifamily mortgages held by non-bank  
lenders and investors will mature in 2017,  
representing nearly 10 percent of all  
outstanding mortgages.

[Full Story](#)

### **Using Customer Feedback to**

#### **Improve Servicing Experience**

DALLAS-- Listening to customers can  
improve the bottom line of your servicing  
operations. But *how* you listen to customers  
is more important.

[Full Story](#)

### **CoreLogic: Foreclosures, Delinquencies Continue to Move in 'Right Direction'**

CoreLogic, Irvine, Calif., reported completed foreclosures in December fell by 40 percent from a year ago and by 82 percent from its recession peak in 2010.

[Full Story](#)

### **Equifax: 2016 First Mortgage Total Balances Up 2.4%; Delinquency Rates Fall**

Equifax, New York, reported the total balance of outstanding first mortgages at the end of 2016 rose to \$8.43 trillion, a year-over-year increase of 2.4 percent.

[Full Story](#)

### **Clear Capital: More Top Markets Out of Negative Equity As Home Prices Surge**

Clear Capital, Reno, Nev., said the number of housing markets with record-high prices continues to grow even as some markets turn negative.

[Full Story](#)

### **Staubach Finds Success at Every Turn**

DALLAS--Roger Staubach has had a great career. Five of them, in fact.

[Full Story](#)

## **MBA News**

### **MBA National Secondary Market Conference & Expo April 30-May 3**

The Mortgage Bankers Association's annual National Secondary Market Conference & Expo returns to the New York Marriott Marquis April 30-May 3.

[Full Story](#)

### **MBA Commercial/Multifamily Servicing & Technology Conference May 21-24**

The Mortgage Bankers Association's Commercial/Multifamily Servicing and Technology Conference takes place May 21-24 at the Arizona Biltmore in Phoenix.

[Full Story](#)

### **MBA Education Compliance Essentials HMDA Implementation Workshop Mar. 29**

MBA Education and the MBA Compliance Essentials program present their popular HMDA Implementation Workshop on Wednesday, Mar. 29 from 8:00 a.m.-4:45

p.m. CT at the Hyatt Regency Chicago.

[Full Story](#)

### **MBA Education Tax Reform: The Potential Impact on Residential Lending Webinar Feb. 28**

MBA Education presents a new webinar, Tax Reform: The Potential Impact on Residential Lending Webinar, on Tuesday, Feb. 28 from 3:30-5:00 p.m. ET.

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Quote

"It is not unexpected that delinquencies could eventually increase off such a low base. We continue to see strong fundamentals in the overall economy, such as rising home values and increased employment, which bodes well for the future performance of FHA, VA and conventional loans."

--MBA Vice President of Industry Analysis  
Marina Walsh.

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**IS FACEBOOK TOO BIG TO EXIST?** — Facebook, which tanked another 5 percent on Tuesday, is facing an existential crisis on a global scale that threatens the long-term viability of the company, according to the author of a book on the social networking giant.

"The reality is that Facebook is threatening global democracy. It's a threat to liberal democracy on a global scale," David Kirkpatrick, author of "The Facebook Effect," tells me in the latest edition of the [POLITICO Money podcast](#), which dives into problems roiling the company including the disclosure that political consulting firm Cambridge Analytica, which had ties to Donald Trump's presidential campaign, accessed the private data of 50 million Facebook users.

"Greed really entered into in recent years and Facebook has been swimming in so much dough that they came to live on their own fumes," Kirkpatrick said. "They were more interested in growing their extraordinarily, unprecedentedly profitable business than they were in really sitting back and thinking about, 'What does this really mean and what could go wrong?'"

**THE LONG TERM OUTLOOK** — For now, Kirkpatrick said, Facebook will survive. But as it faces legal probes and Congressional inquiries in the United States and investigations around the world, its long-term viability is in question.

"It will survive in the short-term partly because it is so profitable and they will continue to find ways to make it acceptable for users. And advertisers really have no alternatives as a place to go that is comparable for the ability to target customers," he said. "But Facebook is essentially a 14-year old design that for all its evolution is still founded on the ideas of 14 years ago. So no, the answer is it will not survive long term."

**Ace POLITICO tech reporter Nancy Scola** also joined the pod. And she doesn't think the hope by some inside Facebook that the latest scandal will fade away in the short-attention span, hyper-crowded news environment will pan out.

Scola: "If I were them I wouldn't bet on it. I think it's had amazing staying power so far. I think what we are seeing is this latest scandal with Cambridge Analytica tapped into some real simmering resentment among users who were a little bit annoyed already with how their data was being used by the company and then amongst regulators." Sign up for the podcast [here](#), you will enjoy it I promise!

**ZUCK TO THE HILL** — Speaking of Facebook's woes, CEO Mark Zuckerberg is expected to testify before the House Energy and on April 12, POLITICO's Ashley Gold reports [here](#).

**FANG GETS BITTEN** — Brutal day for the high-flying tech giants Facebook, Amazon, Netflix and Google. Facebook dropped nearly 5 percent, Amazon nearly 4 percent, Netflix dropped 6 percent and Google 4.5 percent.

Overall, [per Bloomberg](#), the FANG quartet and other top tech shares dropped 5.6 percent, the biggest tumble since 2014. Twitter led the declines with a 12 percent swoon, evidently driven by short-sellers. These stocks are the heart of the bull market and it seems like maybe they raced ahead a little too fast.

**TAX CUTS PART II: A MESSAGING EXERCISE** — Republicans are not going to be able to push through another round of tax cuts in 2018. They would need 60 votes in the Senate and they are not going to get it. The White House and GOP leadership understands this. But that doesn't mean they won't press the case, as POLITICO's Rachel Bade and Burgess Everett report [here](#):

"GOP leaders are weighing a series of votes to make last year's temporary tax cuts for individuals permanent, according to

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Republicans in both chambers. The strategy would portray the party as the guardian of Americans' paychecks, Republicans say, and buoy the GOP during a brutal election year.

"Republicans argue they win regardless of whether it culminates with a Rose Garden ceremony: Either Democrats support the legislation, giving the GOP a major legislative accomplishment in their scramble to save their majorities. Or, more likely, Democrats block the bill — allowing Republicans to paint them as opponents of the middle class."

**MM asked a senior White House official** this week if they thought there was any chance in 2018 for another big tax bill to pass: "No way. Not at all. But it's going to be a great messaging opportunity for us."

**BUSINESS SPENDING PLANS REMAIN ON TRACK** — VIA Morgan Stanley: "Our composite Capex Plans Index rose 1.1 points to 35.4 in March, reaching yet another all-time high, and suggesting trade uncertainty has not yet affected plans broadly. The continued climb in our index suggests momentum in equipment investment will persist through the second quarter of 2018. ...

"While the headline of some of the regional manufacturing surveys was hit by uncertainty over tariffs, plans for future investment appear to have been unscathed in March. This may imply that tax benefits are outweighing uncertainties over policy risk. It may also provide further evidence of the capex cycle that was well underway prior to the enactment of tax cuts"

Mark Zuckerberg is pictured. | Getty

Mark Zuckerberg heads to the Hill next month. | Getty

**GOOD WEDNESDAY MORNING** — Victoria Guida will be driving the MM bus on Thursday and Friday so please send her your tips on [vguida@politico.com](mailto:vguida@politico.com) and follow her on Twitter [@vtg2](https://twitter.com/vtg2). Email Aubree Eliza Weaver on [aweaver@politico.com](mailto:aweaver@politico.com) and follow her on Twitter [@AubreeEWeaver](https://twitter.com/AubreeEWeaver).

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**\*\* A message from FICO:** Don't be fooled. VantageScore isn't an independent startup — it's owned by the three credit bureaus. Allowing the credit bureaus to offer a credit score they own in mortgage lending decisions would consolidate their power over the entire credit reporting process. That's not good for competition or consumers. [Read More.](#) \*\*

**THIS MORNING ON POLITICO PRO FINANCIAL SERVICES — Zachary Warmbrodt: AS CONGRESS STALLS, TRUMP QUIETLY OVERHAULS FLOOD PROGRAM** — "The Trump administration is bypassing Congress and quietly overhauling a key government program designed to protect millions of homeowners from the financial perils of flooding. Seven months after Hurricane Harvey submerged Houston, the spotlight on the National Flood Insurance Program has dimmed and attempts by lawmakers to update it have stalled. But FEMA is using administrative powers to try to expand flood insurance coverage ahead of future storms and offset the government's tab for destructive disasters to come. The moves, which rely on assistance from the private insurance industry and the broader financial markets, would address shortcomings that Harvey and other historic hurricanes laid bare. Many homeowners don't buy insurance despite flood risks. Many who do purchase coverage overwhelm the program with claims after the most catastrophic storms, drowning it in billions of dollars of Treasury debt as FEMA tries to fulfill obligations to flood victims." [Read more.](#)

**MULVANEY BEATS MNUCHIN** — POLITICO's Nancy Cook and Aaron Lorenzo: "The White House is poised to give its budget office greater control over some of the Treasury Department's regulations, handing budget director Mick Mulvaney a victory in a months-long power struggle with Treasury Secretary Steven Mnuchin, according to three sources ...

"The move, which could come in the next few weeks, would end the autonomy the Treasury Department has enjoyed since the 1980s when it comes to issuing tax rules, while giving greater power to one of Trump's favorite Cabinet members at the expense of another. The highly sensitive debate has consumed the attention of top officials at both agencies. At stake is the final say over IRS regulations — and the implementation of the Republicans' tax law." [Read more.](#)

**WHAT ZUCKERBERG SHOULD SAY** — POLITICO's Nancy Scola and Steven Overly: "Practice, practice, practice. Accept that congressional hearings are a form of theater. And don't show up as the arrogant jerk from 'The Social Network.'"

"That's among the advice that crisis communications experts in Washington are offering as Mark Zuckerberg awaits his expected testimony on Capitol Hill about the Cambridge Analytica scandal — the kind of ritual D.C. flogging that is far from his usual comfort zone." [Read more.](#)

**STATES TO SUE OVER CENSUS QUESTION** — POLITICO's Brent D. Griffiths, Andrew Restuccia and Cristiano Lima: "A collection of states started preparing legal actions against the Trump administration on Tuesday just hours after the Commerce Department announced that it would include a controversial question about citizenship status in the 2020 U.S. Census — a move that could have far-reaching effects on immigrants and the political landscape."

"The decision to include the question sparked a wave of backlash from congressional Democrats and civil rights groups, and the White House on Tuesday was pressed to defend the move. White House press secretary Sarah Huckabee Sanders disputed claims that the revamped census could see a drop in response rates from immigrants, who may fear the information could lead to their deportation, disproportionately affecting their ability to attain federal resources" [Read more.](#)

**BUDGET BILL IMPACT** — Via the Penn Wharton Budget Model (PWBm)'s dynamic analysis of the Omnibus Spending Bill of 2018 is now available here: "The 2018 spending bill increases federal debt which dampens economic growth. ... By 2027, we project that debt increases by 1.6 percent and GDP falls by 0.1 percent, relative to current spending levels. By 2037, debt increases by 1.6 percent and GDP falls by 0.2 percent." [Read more.](#)

**REMINGTON GOES BUST** — Reuters BreakingViews' Rob Cox: "A day after March for Our Lives, Remington went bust. Its owners and lenders want out. But finding a traditional buyer for the maker of AR-15s won't be easy. Ironically, this makes a beneficent billionaire best positioned to put the 202-year-old enterprise out of its misery. Here is how Mike Bloomberg, Microsoft founder Bill Gates or Amazon's Jeff Bezos could turn Remington into a force for sensible gun policies - with their pocket change." [Read more.](#)

**TRUMP CUTS SOUTH KOREA DEAL** — POLITICO's Doug Palmer: "President Donald Trump has reached the first trade deal of his administration, getting South Korea to make a few changes to a six-year-old pact he said was a horrible deal."

"Trump had largely criticized the previous agreement largely because of the U.S.'s auto trade deficit with South Korea, which has grown significantly since the deal went into force in 2012. At his insistence, the two countries launched talks last year to renegotiate the pact. ... The changes to the KORUS agreement include a provision that will double to 50,000 the number of cars each U.S. manufacturer can export to South Korea without having to meet the country's more stringent safety standards. Others address additional auto regulatory barriers" [Read more.](#)

## MARKETS

**TECH COMPANIES DRAG DOWN MARKETS. AGAIN.** — NYT's Matt Phillips: "Technology stocks helped propel the nine-year bull market. Optimistic investors piled into the shares, hoping to grab a piece of the profits from industries such as social media, autonomous driving, video streaming and artificial intelligence. Now, that confidence is evaporating."

"Investors pummeled technology company stocks again on Tuesday, knocking the Standard & Poor's 500-stock index down 1.7 percent. The Nasdaq composite, laden with technology stocks, sank 2.9 percent after a flurry of bad news about specific companies metastasized into a broad retreat from technology stocks." [Read more.](#)

**LESSONS FROM STOCK CORRECTIONS PAST** — Bloomberg's Lu Wang, Sarah Ponczek and Elena Popina: "Remember the last time stocks fell so hard? You probably don't, and that's making it all seem a little harsher than it is. It's a fact of the life of the mind -- things always seem worse in the present. In fact, they're not. In this bull market alone there's been five other corrections like this one, and it's taken around seven months on average for equities to climb out of their hole, data compiled by Bloomberg show."

"Based on that path, the current jitters won't be fully eradicated until August. At the same time, just because bouts of losses are normal doesn't mean they're painless, especially when momentum stocks are leading the way lower. But the statistic is a reminder that it's unrealistic to expect a market recovery to involve a straight line back up." [Read more.](#)

## FLY AROUND

**WHITE HOUSE DENIES PROBE INTO KUSHNER LOANS** — AP's Stephen Braun: "The White House denied Tuesday that senior adviser Jared Kushner is under investigation by the White House Counsel's office over possible ethical or criminal violations in connection with more than \$500 million in loans made last year to his family real estate company. The head of the government's ethics agency had told a Democratic House member that White House lawyers had acknowledged they 'had already begun the process' of looking into possible ethics and legal issues spawned by the loans. Kushner met last year with executives from the two companies that made the loans to Kushner Cos.

"Even as White House spokeswoman Sarah Huckabee Sanders firmly denied any formal investigation into Kushner, she acknowledged that the White House Counsel's office often plays a role in checking whether ethics guidelines have been met by administration officials. 'While the White House Counsel's office does follow-up with staff to assist with compliance with various ethics standards, it is not probing whether Kushner violated the law,' Sanders said." [Read more.](#)

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**CONSUMER CONFIDENCE DOWN IN MARCH** — WSJ's Sarah Chaney: "U.S. consumer confidence fell in March, dragged down by consumers' perception of current and future economic conditions in light of recent stock-market gyrations.

"The Conference Board said Tuesday its measure of U.S. consumer confidence decreased to 127.7 in March from an 18-year high of 130.0 in February. ... This month, the present situation index fell to 159.9 from 161.2 in February; the expectations index dropped to 106.2 in March from 109.2 last month." [Read more.](#)

**DEUTSCHE BANK STARTS LOOKING AT SUCCESSORS** — FT's Martin Arnold, Patrick Jenkins and Olaf Storbeck: "Deutsche Bank has started an informal process to find a successor for chief executive John Cryan amid mounting boardroom unrest and shareholder discontent over the bank's performance ahead of its annual meeting in May. The search for a potential successor for Mr. Cryan is at an early stage, according to people involved.

"'A final decision has not yet been made, but this is a topic which is being intensively discussed,' a person familiar with the situation said. Another person confirmed that a formal search for a successor had not yet begun." [Read more.](#)

**CHICAGO CAN PURSUE PART OF WELLS FARGO CASE** — Reuters' Jonathan Stempel: "A federal judge significantly narrowed but refused to dismiss a lawsuit accusing Wells Fargo & Co, the third-largest U.S. bank, of predatory mortgage lending targeting black and Hispanic borrowers in the Chicago area.

"U.S. District Judge Gary Feinerman ruled on Monday that Illinois' Cook County, which includes Chicago, may pursue federal Fair Housing Act claims against Wells Fargo, to the extent the bank's alleged 'equity stripping' practices boosted the cost of administering and processing a higher number of foreclosures. But Feinerman dismissed claims alleging harm from lost property taxes, the need to combat crime and blight, racial segregation and other factors, calling them 'ripples' that 'flow far beyond' Wells Fargo's alleged misconduct." [Read more.](#)

**AIG DOLED OUT \$67.3M TO OUTGOING CEO, SUCCESSOR**— WSJ's Leslie Scism: "American International Group Inc. paid \$67.3 million to its chief executive officers in 2017, with part of the payment going to a man who resigned under pressure early in the year and another portion to attract his successor.

"The steep executive pay is the cost of AIG changing its strategy for boosting lackluster profit margins. In March 2017, former Chief Executive Peter Hancock stepped down under pressure from activist investors as his turnaround plan

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suffered setbacks. He was succeeded in mid-May by Brian Duperreault, a longtime industry executive who had begun his career at AIG in 1973." [Read more.](#)

**TRANSITIONS: JAMIE SMITH TO LINUX** — Per release: "The Linux Foundation ... today announced Jamie Smith is joining the organization as Chief Marketing Officer. Smith brings a depth of experience to the Linux Foundation having served President Barack Obama in the White House and former Secretaries of State Hillary Rodham Clinton and Madeleine K. Albright."

**\*\* A message from FICO:** FICO is the independent standard in credit scoring, trusted by lenders and securitization experts for decades. FICO supports a competitive review of credit scores in mortgage lending, but the only other score being considered is VantageScore, which is owned by the three credit bureaus. Allowing the credit bureaus to offer a score they own in a system where they are the single point of sale and distribution for both credit reports and scores would not increase competition or innovation, it would consolidate their power. What's more, introducing a score with lower minimum scoring criteria could result in riskier loans, while doing little to expand mortgage access. Let's keep credit scores independent and reliable. [Read More.](#) \*\*

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**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Morning Money FS: Trump's trade war — What didn't make the story — 'Biggest policy blunder of his presidency' — The blowback

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MorningMoneyFS header

03/02/2018 05:15 AM EDT

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By BEN WHITE ([bwhite@politico.com](mailto:bwhite@politico.com); [@morningmoneyben](#)), AUBREE ELIZA WEAVER ([aweaver@politico.com](mailto:aweaver@politico.com); [@AubreeEWeaver](#))

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**TRUMP'S TRADE WAR** — So that was a remarkably chaotic day, even for this White House. President Trump shocked some his top advisers by announcing his plans for 25 percent tariffs on imported steel and 10 percent on imported aluminum. Senior advisers including Gary Cohn thought they had at least delayed the announcement. Republicans on Capitol Hill had no warning about what Trump was about to do.

And the move quickly sent the Dow down 500 points, just as Cohn and others had warned it would. The stocks of 16 steel makers gained \$1 billion in market value as a result of the move while the rest of the market lost \$400 billion, according to fund manager Doug Kass. That's a neat encapsulation of what protectionism does.

**The condemnations quickly began flowing** in from fellow Republicans. Allies including the European Union and Canada quickly denounced the move and pledged retaliation. Shares in automakers, dependent on inexpensive steel, tanked.

But the fallout could be the biggest for Cohn, who spent the last several weeks hammering Trump on the idea that these kinds of tariffs would kill more jobs than they would save and would hurt consumers and damage the economy while inviting retaliation.

The question now is whether Cohn will stay, as I explore [here](#) with POLITICO's Andrew Restuccia: "One person close to Cohn, a former Goldman Sachs executive, said he wouldn't be surprised if he eventually left the chaotic and deeply exhausting administration as a result of the decision.

"A second person close to Cohn described it as a brutal blow that violated one of the NEC director's core beliefs—that protectionism is economically backward and won't lead to increased prosperity. 'It's just something he feels very passionate about and he is incredibly good at making the case,' this person said, adding that it still wasn't clear if Trump's decision would be enough to drive the NEC director out.

**Larry Kudlow to me on the tariffs:** "All that will happen with steel tariffs is you will raise prices for all import users and that includes businesses and of course consumers. You will wind up hurting millions of people to help 140,000 people in the steel industry. You will be hurting car buyers. Is that really what you want to do?"

**WHAT DIDN'T MAKE THE STORY** — MM talked to another senior administration official Thursday night who said the issue alone wouldn't cause Cohn to leave. He could fight on over NAFTA, getting back in TPP, keeping the Korean trade deal and avoiding even more tariffs. But it was the totally chaotic process that might be a deal breaker.

The streamlined review of trade policy run by Rob Porter is now gone, replaced by the kind of behind the scenes maneuvering that marked the early days of the Trump White House. "He could leave over process fouls. And there were lots of process fouls here," this person said.

**THE GOP response was typified** by this from Senate Finance Chair Orrin Hatch (R-Utah): "Tariffs on steel and aluminum are a tax hike the American people don't need and can't afford. I encourage the president to carefully consider all of the implications of raising the cost of steel and aluminum on American manufacturers and consumers."

**More from Kass:** "Tariffs will hurt more industries and employees than it will help. Tariffs will hurt our security more than it will help our security. Tariffs will contribute to a rising probability of 'stagflation' - by raising inflation and reducing economic growth and trade."



**"BIGGEST POLICY BLUNDER OF HIS PRESIDENCY"** — Via the WSJ edit page: "Donald Trump made the biggest policy blunder of his Presidency ... This tax increase will punish American workers, invite retaliation that will harm U.S. exports, divide his political coalition at home, anger allies abroad, and undermine his tax and regulatory reforms.. ... Mr. Trump seems not to understand that steel-using industries in the U.S. employ some 6.5 million Americans, while steel makers employ about 140,000." [Read more.](#)

**THE BLOWBACK** — POLITICO's Doug Palmer runs down the global fallout [here](#): "European Commission President Jean-Claude Juncker called Trump's decision 'a blatant intervention to protect U.S. domestic industry' under the guise of national security. He said he would submit a proposal in the next few days to hit back at the U.S. ...

"The timing of the announcement also embarrassed Mexico and Canada, longtime allies and trading partners, which are in the midst of the seventh round of talks with the U.S. to renegotiate NAFTA. Canadian Foreign Minister Chrystia Freeland said any restrictions against Canadian steel imports would be 'absolutely unacceptable.'"

**HERE COMES THE SIFI BILL** — Cap Alpha's Ian Katz: "As expected, Senate Majority Leader Mitch McConnell on Thursday afternoon put the SIFI relief bill on the docket for next week. Despite the opposing voices from progressive Democrats ... there's no sign that the Dems supporting S. 2155 are backing down.

"So far it appears that 13 of them have signed on, and a few more may vote for the bill but don't want to put targets on their backs. If the coalition holds, and we expect that it will, the bill would comfortably clear the 60 votes needed to pass the Senate. We think it could end up in the mid-60s. But stay tuned for a lively Senate debate next week. The progressives aren't going to give up without a fight."

**CLARIDA FOR FED VICE CHAIR** — MM hears from two people close to the matter that Trump is close to tapping Columbia University economist and PIMCO executive Richard Clarida as Fed Vice Chair. Clarida, touted to Trump by Larry Kudlow among others, is considered a fairly moderate voice. And his academic credentials will balance out Fed Chair Jay Powell, who is a lawyer by training.

**RSVP NOW ... THE FUTURE OF PROSPERITY**: Join us for the first event in a new series called The Future of Prosperity, which will examine the obstacles young Americans face to economic stability. Doors open Thursday, March 8 at 8:30 a.m. at the Newseum — 555 Pennsylvania Ave NW. More [HERE](#).

Gary Cohn is pictured. | Getty

Gary Cohn could be on the way out. | Getty

**GOOD FRIDAY MORNING** — Congrats on reaching the end of another 86 day week. Email me on [bwhite@politico.com](mailto:bwhite@politico.com) and follow me on Twitter [@morningmoneyben](https://twitter.com/morningmoneyben). Email Aubree Eliza Weaver on [aweaver@politico.com](mailto:aweaver@politico.com) and follow her on Twitter [@AubreeEWeaver](https://twitter.com/AubreeEWeaver).

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**THIS MORNING ON POLITICO PRO FINANCIAL SERVICES — Victoria Guida: POWELL, PRESSED BY WARREN, TO CONSIDER REQUIRING BOARD VOTE TO LIFT WELLS PENALTY** — "Sen. Elizabeth Warren on Thursday secured a commitment from Federal Reserve Chairman Jerome Powell to consider requiring a board vote to lift Fed-imposed growth restrictions on Wells Fargo. In an unprecedented enforcement action announced on Janet Yellen's final day as Fed chair, the central bank last month said it would prevent Wells Fargo from growing any larger than it was at the end of 2017 until it improves its governance and risk management. At Powell's semiannual testimony to the Senate Banking Committee, he noted that the Fed had delegated the decision of when to lift those restrictions to the staff member in charge of the Fed's Division of Supervision and Regulation, Michael Gibson." [Read more.](#)

**DRIVING THE DAY** — President Trump attends Rev. Billy Graham's funeral in North Carolina ... Univ. of Mich. Consumer sentiment at 10:00 a.m. expected to rise to 98.9 from 95.7.

**QUARLES VOTE NEXT WEEK?** — MM hears that Hill staffers are preparing for a vote on Fed Vice Chair for Supervision Randy Quarles' nomination for a full 14-year term. Quarles is currently serving out an expired term. The full Senate has yet to vote on full term for Quarles. The Senate could also consider the nomination of former Senate staffer Jelena McWilliams, nominated to head the FDIC, as it considers the Crap bill next week.

**DEM SEN. MARK WARNER ON THE CRAPO BILL** to Bloomberg's Kevin Cirilli: "We're going to see a broad based -- I believe close to 70 votes -- so a broad based, bipartisan coalition on this legislation..."

"Another one of my colleagues specifically asked the Fed Chairman whether this would relieve burdens on some of the international banks who have a presence here in the United States, the way I heard the Fed Chairman, he said, 'That is not the case. The foreign banks who have a presence here will still have to adhere to the strict standards.'" [Video](#).

**Sen. Crapo on the timing:** "It depends on how the leader is able to manage the nominations that are ahead of us. But I expect that sometime either Monday or Tuesday we will move to the first vote, which will probably be a cloture vote." [Video](#).

The ABA is all-in for the Crapo bill via this [letter](#) from CEO Rob Nichols.

**CRAZY DAY IN CRAZY TOWN** — WP's Damian Paletta and Josh Dawsey: "Trump often likes to sow misdirection, running the White House like a never-ending reality show where only he knows the plot. But even by his standards, the day-long period that ended Thursday left some senior aides and Republican lawmakers wondering whether the White House had finally come unmoored, detached from any type of methodology that past presidents have relied on to make decisions for leading the largest economy in the world." [Read more](#).

## MARKETS

**STOCKS KEEP DROPPING OVER NIGHT** — Bloomberg: "Asian stocks built on losses seen in the U.S. equities session, ending a tough week for risk assets that's rekindled concerns about what a potential trade war and a more hawkish Federal Reserve could do to global economic growth. The dollar extended losses and the yen gained." [Read more](#).

**TRUMP'S TARIFFS RATTLE MARKETS** — NYT's Matt Phillips: "Trump's vow to impose tariffs on steel and aluminum next week rattled financial markets Thursday. Stocks, which had already been down for the day, slipped further after the White House announced the planned tariffs. The Standard & Poor's 500-stock index fell 1.2 percent to 2,682 Thursday afternoon, after falling roughly 2 percent earlier in the day.

"Shares of automakers such as Ford and General Motors, large consumers of steel and aluminum, fell sharply, as the tariffs would raise the cost of raw materials. ... Shares of industrial companies also dropped, led by exporters such as Boeing and United Technologies. On the other hand, some companies that sell industrial metals saw their stock prices rise, with shares of AK Steel up roughly 8 percent and U.S. Steel jumping more than 6 percent." [Read more](#).

**"POWELL PUT" ASSUMPTION CHALLENGED** — FT's Joe Rennison and Nicole Bullock: "The Powell Put has a nice ring to it. After years of being able to count on having the Federal Reserve in their corner, investors had assumed it would be more of the same from the new Fed chair. Yet as Jay Powell, who has been a Fed governor since 2012 and spent almost 20 years as a partner at private equity firm Carlyle, publicly outlined his views on policy for the first time since succeeding Janet Yellen that assumption was under threat.

"In a marked departure from the more academic tone of his immediate predecessors in the Fed chair, the 65-year old signaled to Congress a willingness to look beyond bursts of volatility in financial markets and would tighten policy against a backdrop of a strengthening economy that may in due course reveal signs of overheating. The long-held view that the US central bank will temper tightening if equity and credit markets suffer bouts of turmoil is sometimes referred to as the Fed put." [Read more](#).

## FLY AROUND

**MORE PROBLEMS FOR WELLS FARGO** — FT's Alistair Gray: "Wells Fargo's woes deepened on Thursday when the scandal-hit U.S. bank acknowledged that it had overcharged some wealth management customers and the Fed ... said it would 'not lightly lift' regulatory sanctions against it. ...

"In an annual filing with the Securities and Exchange Commission, the bank said 'there have been instances of incorrect fees being applied' at the business, which has about 35,000 employees and \$1.9tn in assets under management. Wells would not say how many customers had been affected, explain what kind of fees had been incorrectly applied nor clarify language used in the filing, which cited 'incorrect set-up and maintenance.'" [Read more](#).

**TREASURY TARGETS CARRIED-INTEREST PROVISION** — WSJ's Richard Rubin: "The Treasury Department moved Thursday to limit a gap that could have let some investment-fund managers avoid higher taxes on their carried-interest income. The formal move, previously announced by Treasury Secretary Steven Mnuchin, will be followed by regulations that will be retroactive to Jan. 1, the government said.

"Treasury and the IRS stand ready to implement the Tax Cuts and Jobs Act as Congress intended and provide the appropriate taxpayer guidance on how the law will be implemented,' Mr. Mnuchin said. The tax law passed by Congress last year would let fund managers receiving a percentage of investment gains to get long-term capital-gains rates only if the asset is held for at least three years, beyond the one-year requirement that previously existed." [Read more.](#)

**SEC DROPPED INQUIRY A MONTH AFTER FIRM AIDED KUSHNER COMPANY** — AP's Bernard Condon and Stephen Braun: "The Securities and Exchange Commission late last year dropped its inquiry into a financial company that a month earlier had given White House adviser Jared Kushner's family real estate firm a \$180 million loan.

"While there's no evidence that Kushner or any other Trump administration official had a role in the agency's decision to drop the inquiry into Apollo Global Management, the timing has once again raised potential conflict-of-interest questions about Kushner's family business and his role as an adviser to his father-in-law, President Donald Trump. The SEC detail comes a day after The New York Times reported that Apollo's loan to the Kushner Cos. followed several meetings at the White House with Kushner." [Read more.](#)

**MONTHLY INFLATION UP, JOBLESS CLAIMS DOWN** — Reuters' Lucia Mutikani: "U.S. consumer prices increased in January, with a gauge of underlying inflation posting its largest gain in 12 months, bolstering views that price pressures will accelerate this year. Those expectations were underscored by other data on Thursday showing the number of Americans filing for unemployment benefits fell last week to a 48-year low as the labor market tightens. Another survey showed prices paid by manufacturers for raw materials hit a more than six-year high in February.

"The combination of rising inflation and a robust labor market could force the Federal Reserve to raise interest rates a bit more aggressively this year than currently anticipated as it worries about the economy overheating. The U.S. central bank has forecast three rate hikes in 2018. The first rate increase is expected later this month." [Read more.](#)

**BUFFETT LOST \$3.7B THIS WEEK** — Bloomberg's Tom Metcalf and Jack Witzig: "Warren Buffett's wealth dropped \$3.74 billion since Monday as U.S. stocks tumbled for a third straight day. Losses for the Berkshire Hathaway Inc. chairman topped those of Facebook Inc.'s Mark Zuckerberg, who is down \$3.71 billion. The fortunes of Alphabet Inc.'s Larry Page and Sergey Brin each dwindled about \$3 billion, while Spain's Amancio Ortega took a \$2.5 billion hit on the Bloomberg Billionaires Index.

"The world's 500 richest people have lost a combined \$128 billion since Monday, more than the entire market capitalization of Netflix Inc. or McDonald's Corp. The wealth of U.S. billionaires fell the most, declining a combined \$55 billion. Chinese tycoons saw \$14 billion erased." [Read more.](#)

## ALSO FOR YOUR RADAR

**NASDAQ FILES SUIT** — Per release: "Nasdaq filed a patent infringement lawsuit in the United States District Court for the District of New Jersey ... aiming to protect Nasdaq's electronic trading technology from unauthorized use by IEX Group, Inc. and Investors Exchange LLC (IEX)."

**NEW GSE STUDY** — Per a new report from the National Urban League and the Center for Responsible Lending: "[T]he Corker-Warner draft GSE proposal would greatly harm access, affordability, and equity in housing." [Read more.](#)

**NEW FINTECH REPORT** — The Milken Institute Center for Financial Markets released a report Thursday that "assesses more than 70 FinTech-related bills introduced in Congress between January 2015 and December 2017. ... [T]he report is a comprehensive resource that provides detailed qualitative and quantitative analyses of 71 related bills while identifying six areas where bipartisan legislation has been introduced." [Read more.](#)

## ON THE CALENDAR

No events listed.

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## Morning Scan Plus

March 01, 2018

A premium newsletter, prepared exclusively for subscribers.

by GEORGE YACIK

### Receiving Wide Coverage ...

**The heat is on:** Regulators are taking a closer look at banks' dealings with Jared Kushner, President Trump's son-in-law. Citigroup **loaned Kushner's firm \$325 million** to finance office buildings in Brooklyn "shortly after Mr. Kushner met in the White House with Citigroup's chief executive, Michael L. Corbat. There is little precedent for a top White House official meeting with executives of companies as they contemplate sizable loans to his business," the New York Times said.

The paper also reports that Joshua Harris, a founder of Apollo Global Management who was advising the Trump administration on infrastructure policy, met with Kushner "on multiple occasions" and Apollo later lent \$184 million to Kushner's firm. The loan, to refinance the mortgage on a Chicago skyscraper, was "triple the size of the average property loan made by Apollo's real estate lending arm."

Separately, the New York State Department of Financial Services has asked Deutsche Bank and two local New York City banks, Signature Bank and New York Community Bank, for information about their relationships with Kushner. "The inquiries, which are expansive and comprehensive, seek information about Mr. Kushner's individual finances and those related to his family's real-estate company, Kushner Cos.," the Wall Street Journal reports.

A spokeswoman for Kushner Cos. said the firm had received no letters from the agency and called the inquiries "harassment solely for political reasons." **Wall Street Journal, Financial Times, American Banker**

**Ready to roll (back)?:** The U.S. Senate is expected to approve "the most significant rollback of postcrisis financial rules since Republicans took control of Washington last year. The bipartisan legislation, supported by the Trump administration and top Federal Reserve officials, would relax dozens of rules for small to medium-size banks, shaking up the banking sector with policy changes that could **encourage deal-making** and make it easier for banks to expand."



But is that a good idea? Hal Scott, a professor of international financial systems at Harvard Law School, and Lisa Donner, executive director of Americans for Financial Reform, **debate the question** in the Financial Times. Scott says freeing up banks to lend more will boost the economy, while Donner says looser rules put taxpayers at risk.

## Wall Street Journal

**Outta here:** Bank of America said it **fired two employees** in its prime brokerage unit after they were found to have interfered with its **investigation into alleged inappropriate behavior** by Omeed Malik, one of the top executives in the unit that caters to hedge funds. Malik was fired in January following complaints from female employees that he made inappropriate advances to them.

**On notice:** The Securities and Exchange Commission has issued “dozens of subpoenas and information requests” to companies involved in the cryptocurrencies market, the paper reports. “The sweeping probe significantly ratchets up the regulatory pressure” on players in the business and “follows a **series of warning shots** from the top U.S. securities regulator suggesting that many token sales, or initial coin offerings, may be violating securities laws” designed to protect investors.

**Settled:** Deloitte & Touche agreed to pay \$149.5 million to settle Justice Department allegations that it failed to detect a **massive fraud** by one of its clients, which led to the 2009 collapse of Alabama’s Colonial Bank, one of the biggest bank failures of the financial crisis. Deloitte’s client, Taylor Bean & Whitaker Mortgage Corp., reportedly overdrew its account at the bank for years, and sold fake mortgages, to cover up its own cash shortfall.

## Financial Times

**Going green:** BBVA is expected to announce Thursday that it will help finance \$100 billion of green energy and other sustainable development projects over the next seven years. The Madrid-based lender will also become the first large bank to disclose how much of its balance sheet is exposed to carbon-related assets. “The announcement by BBVA comes as banks face mounting pressure from investors and regulators to **step up their response to climate change**,” the FT says.

## New York Times

**Iced out:** Wells Fargo is being accused of **freezing, and often closing, accounts** suspected of being defrauded.

## Quotable

“It appears that much of our evolving digital infrastructure is devoted to activities, like the proliferation of cybercoins, that are **worse than frivolous**.” — *James McAndrews, former head of research at the Federal Reserve Bank of New York.*

## Top Stories from American Banker

Some articles available to American Banker paid subscribers only

### How Ocwen plans to rebuild servicing scale with PHH deal

by BONNIE SINNOCK AND BRAD FINKELSTEIN

Ocwen Financial Corp.'s acquisition of PHH Corp. will help the nonbank servicer rebuild scale that's been diminished by years of regulatory restrictions and the decline in distressed mortgage volume brought about by improvements in the overall housing market.

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### Kushner loan details sought from Deutsche Bank, two others

New York's banking regulator has asked Deutsche Bank and a pair of local lenders to provide information about their relationships with Jared Kushner, his family and the Kushner Cos., according to people familiar with the matter.

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### Not dead yet: Branches remain crucial to banks' growth plans

by ANDY PETERS

Sure, banks are closing more branches than they are opening, but many still view them as important channels for selling products, dispensing advice and gathering deposits. Here's a look at banks large and small that are opening branches (or, in Capital

One's case, cafes) in new markets.

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### Banks, retailers point fingers as lawmakers revisit data security bill

by IAN MCKENDRY

Financial institutions and retail companies are trading barbs over which industry poses greater risk to sensitive customer information just as lawmakers are planning to take another stab at a data security bill.

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### Treasury gets it right: Bankruptcy code, Dodd-Frank can work together

by AARON D. KLEIN

A recent report from the agency settles a long-running debate about whether bankruptcy should replace Dodd-Frank's "orderly liquidation authority."

The financial system needs both.

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## Morning Scan Plus

March 22, 2018

A premium newsletter, prepared exclusively for subscribers.

by GEORGE YACIK

### Receiving Wide Coverage ...

**Tougher times:** Rising interest rates and regulatory relief won't necessarily make it easier for banks to earn a profit in the future, mainly due to increased competition, according to a study released by Bain & Co. on Wednesday. On the deposit side, banks will be pressured by low-cost **competitors offering better deals** to savers. On the lending side, banks face competition in corporate lending from new players, such as pension funds, while being hesitant to make loans on the consumer side.

To fight back, several big brick-and-mortar banks are **creating online units** to attract consumer deposits.

### Wall Street Journal

**On the up-and-up:** Citigroup **defended its approval** of a \$325 million mortgage loan to Jared Kushner's real estate company after the bank and its CEO Michael Corbat were criticized for allegedly trying to curry favor with President Trump's son-in-law and senior adviser. "This transaction was done in the normal course of Citi's commercial real estate lending business, received the necessary credit and risk approvals without input from Mr. Corbat, and was unrelated to any discussions with Mr. Kushner," the bank wrote in a letter to lawmakers in Congress. Corbat met with Kushner on March 3, 2017, but the bank said Corbat "was unaware of the transaction" at that time and the loan didn't require his approval.

Citi also provided a **\$200 million loan** to a New Jersey luxury apartment project partly owned by Kushner's company.

**Top of the heap:** Jamie Dimon **earned 364 times as much** as the median JPMorgan Chase employee last year when he received \$29.5 million in total compensation, **one of the highest** such ratios among the bank's peer groups.

Separately, Dimon weighed in on **data privacy**.

**Insurance for millennials:** Travelers has launched a customizable renters' insurance

aimed at millennials. Dubbed I raverse, the product offers identity-theft and liability insurance and also gives customers the **ability to add other types of coverage**, including property insurance for cellphones and travel insurance for canceled flights or auto breakdowns. The policies, which carry no deductibles, are so far are available only in New York. "The goal is to offer a product that speaks more to the need of millennials, where a traditional renters policy might not make the most sense for them," a company spokesperson said.

**Charged:** The two Canadian brothers who operate the Payza money transfer company were charged by U.S. prosecutors with **operating an unlicensed business**, money laundering and violating compliance rules.

## Financial Times

**Partners:** Fifth Third Bank and First Republic have agreed to buy equity stakes in CommonBond, a New York-based online student loan lender, in a deal that the paper says "could herald a new, **collaborative relationship** between brick-and-mortar lenders and the upstarts that once promised to put them out of business." Online lenders have threatened to disrupt the lending industry by offering faster and better service than banks can, but have stumbled because of their inability to find investors willing to buy the loans they originate, which have often been plagued with high default rates. The deal "suggests that platforms such as CommonBond could eventually serve as the banks' customer acquisition and retention engines," the paper adds.

**You ain't seen nothin' yet:** The chancellor of the High Court warned that financial technology could "make the frauds of yesteryear look modest." "There is **considerable scope for fraud** in the brave new world of fintech," Sir Geoffrey Vos said in a speech in London. "In the digital era the manifestations of dishonesty will take a completely different form. We are staring into a firmament of which many people of my generation have very little comprehension." He called for global coordination to regulate blockchain.

**Settled:** UBS agreed to **pay \$230 million** to settle New York State charges of **improperly selling residential mortgage-backed securities** prior to the financial crisis. The settlement includes \$41 million in cash and \$189 million in consumer relief. The agreement, which follows a \$500 million settlement with RBS earlier this month, brings the total amount of such settlements with the state to almost \$4 billion.

## Quotable

"The regulatory approach to blockchain simply cannot be different in different countries because the technology is by definition borderless. The **risk of fraud will increase** [with] use of the public blockchain for financial transactions. Some start-ups will reduce the risk of fraud, but others will create new opportunities for fraud." — Sir Geoffrey Vos, chancellor of the



for trade. — Sir Geoffrey Vos, Chancellor of the High Court in London.

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by BRIAN COLLINS

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### UBS to pay \$230 million to N.Y. in mortgage securities probe

UBS agreed to pay \$230 million to resolve a New York state probe into the Swiss bank's marketing and sales of residential mortgage-backed securities before the financial crisis, boosting the state's recoveries in the investigation to almost \$4 billion.

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**From:** Joe Ventrone <JVentrone@realtors.org>  
**Sent:** Wednesday, December 06, 2017 7:56 AM EST  
**Subject:** Noteworthy Housing Clips December 6, 2017

## Senate to announce Tax Conferees this am!

1. NYT- Tax Plan Crowns a Big Winner: Trump's Industry
2. WP- House GOP exploring tax plan changes to help California, other high-tax states
3. WSJ- California Republicans Push to Preserve Income-Tax Deduction
4. AP- Tax overhaul could chill US affordable housing construct

<https://www.nytimes.com/2017/12/05/business/economy/tax-bill-real-estate.html?smprod=nytcore-ipad&smid=nytcore-ipad-share>

### Tax Plan Crowns a Big Winner: Trump's Industry

By [PATRICIA COHEN](#) and [JESSE DRUCKER](#) DEC. 5, 2017

A real estate investment trust helped rescue a stake held by Kushner Companies in 666 Fifth Avenue in Manhattan. Such trusts would get new advantages under Republican tax legislation. Karsten Moran for The New York Times

After a [frenzy](#) of congressional action to rewrite the tax code, salesclerks and chief executives are calculating their gains. Business was treated with the everyone's-a-winner approach that ensures no summer camper goes home without a trophy.

Some got special prizes. [Cruise lines](#), craft beer and wine producers (even foreign ones), car dealers, private equity, and oil and gas pipeline managers did particularly well. And perhaps the biggest winner is the industry where President Trump and his son-in-law, Jared Kushner, made their millions: commercial real estate.

House and [Senate](#) Republicans, in their divergent bills, both offered steeply reduced rates to corporate giants, partnerships and family-owned firms across the board. But when it came time to eliminate special breaks or impose tighter standards, real estate was generally excused from the room. Most businesses were hit with new limits on deductions for interest payments, but not real estate. Most industries lost the ability to defer taxes on the exchange of similar kinds of property, but not real estate. Domestic manufacturers and pharmaceutical companies lost some industry-specific breaks, like the [tax credit for so-called orphan drugs](#), in exchange for lower rates.

The real estate industry ended up with an even more generous depreciation timetable, allowing owners to shelter more income.

And in a break from previous practice, rental and mortgage-interest income qualifies for a lower tax rate, the kind of special treatment traditionally reserved for long-term capital gains and certain qualified dividends.

"Real estate does great," said [Daniel N. Shaviro](#), a professor of taxation at New York University Law School, who as a congressional staff member helped write the 1986 tax overhaul. "It's hard to imagine what they might have asked for that they don't have."

Real estate investment trusts, known as REITs, have extra cause for celebration. They are companies that make money by owning, financing and operating real estate. Both the Trump Organization and Kushner Companies, the family real estate firm partly owned by Mr. Kushner, have important deals with such trusts.

A REIT functions like a mutual fund, but instead of assembling a portfolio of stocks, it allows people to invest in a bundle of real estate assets, both buildings and mortgages. More important is the way they are taxed. They pay no separate business tax and instead are required to pass along virtually all of their taxable income to shareholders, who pay the tax when they file individual returns.

The Republican proposals sharply lower the top tax rate on the income that REITs and other [businesses pass through](#) to their owners and shareholders. Currently, those investors must pay taxes on that income at rates as high as 39.6 percent. Under the Senate provision, it would drop to 29.6 percent. (The House bill drops the rate even lower, to 25 percent.)

That's a big savings, and a big advantage. Those receiving mortgage-interest income outside a REIT would have to pay taxes based on ordinary rates.

The Trump Organization is a partner in two of its largest properties with Vornado Realty Trust, a REIT based in New York City. In January, the White House appointed Vornado's founder and chairman, Steven Roth, to develop a trillion-dollar infrastructure package as a leader of an advisory council that has [since been abandoned](#).

Vornado has also been associated with Kushner Companies, helping bail out its stake in 666 Fifth Avenue, the [Kushners' flagship property](#), when it was in danger of defaulting on a more than \$1 billion loan.

Kushner Companies has teamed up with another New York-based REIT, SL Green Realty Corporation, in several deals. They are collaborating on a development in Brooklyn, and SL Green lent Mr. Kushner's firm \$85 million in 2016 to refinance its slice of the former headquarters of The New York Times in Manhattan.

A Kushner Companies spokeswoman said the firm had not done any lobbying on the tax bill.

Kurt Koegl, a partner at the national accounting firm Marcum, noted that a lower corporate tax rate would enable other kinds of companies to better compete with REITs.

Jared Kushner, President Trump's son-in-law and a White House senior adviser, whose family's business has been involved in important deals with real estate investment trusts. Doug Mills/The New York Times

But REITs are favored in other ways. Individuals who borrow money to invest in a REIT will be able to deduct the interest they pay on the loan at the top individual rate. When it comes to paying taxes on the interest income they earn from that REIT investment, however, the new, lower pass-through rate would apply.

"That's a great deal, and it's going to create giant new tax shelters," said Steven M. Rosenthal, a tax expert at the nonpartisan Tax Policy Center.

The tax code generally tries to prohibit this kind of tax rate arbitrage, he added.

The REIT advantage is one example of a broader issue: different tax treatment for similar activities.

Writers of the congressional bills promised that their overhaul would simplify the tax code, but the intricacies of the changes create countless opportunities for gamesmanship.

“Suddenly, there are a dozen different tax rates that apply to different businesses, in different industries, and to different investments,” said Adam Looney, a senior fellow at the Brookings Institution and a former Treasury Department official. That means opportunities to come out ahead by making deals between these different groups or structuring businesses to take advantage of various provisions.

That could lead to a flurry of restructuring and asset shifting that has no purpose other than lowering the tax rate. One business might borrow money to invest in another, or buy equipment and treat it as an expense and then lease it to another company.

Ideally, the tax code is meant to encourage businesses to make sound economic decisions, and forgo activities whose sole purpose is to avoid taxes. But the proliferation of different business rates rewards loophole hunting and earnings shifting.

“The speed with which they’re doing this creates a level of ambiguity that will keep tax lawyers and tax professionals busy for 20 years,” said Scott D. Michel, a tax lawyer with Caplin & Drysdale.

For some industries, such accounting acrobatics may not be necessary. A Senate provision that is being marketed as an aid to small craft breweries would save money even for the largest beer, wine and liquor producers, whether they are in the United States or abroad.

Foreign cruise lines that operate in the United States got a last-minute reprieve from a new tax that was in an earlier version of the Senate bill.

Whistle-blowers and their attorneys are happy about a provision specifying that they can collect rewards based on criminal fines.

Car dealers escaped the cap on interest deductions that apply to most other businesses. Private equity firms were not able to sidestep that cap, but they held on to most of the carried-interest benefit that allows private equity managers, hedge fund managers and real estate investors to pay a lower rate on much of their income. Firms will have to hold an asset for three years instead of one, but the average hold time is already more than five years.

The energy industry also did well. Coal and natural gas would potentially benefit from provisions that undercut their renewable-energy competitors. In a reversal of more than four decades of national policy, the Senate bill would open a pristine 1.5-million-acre expanse of the Arctic National Wildlife Refuge to oil and gas exploration.

And at the last minute, the Senate bill gave [master limited partnerships](#), which mainly finance pipelines, the same special tax treatment that REITs have: a lower rate on the income they generate.

House and Senate Republicans are still wrangling over the final version, and every comma is subject to change. But to some tax experts, an unlevel playing field that gives certain types of business and structures advantages over others is a bigger concern than a tax break for real estate or any other industry.

“It’s easy to look at the deals that are explicitly in the bill — like the special treatment of auto-dealer financing or whistle-blowers — and call out ‘loophole,’” Mr. Looney of Brookings said. “But the big problems are the things that aren’t specifically noted in the bill, but will arise because of tax planning.”

[https://www.washingtonpost.com/business/economy/house-republicans-consider-adding-some-state-income-tax-deductions-to-overhaul-bill/2017/12/05/e25c3000-d9fa-11e7-b1a8-62589434a581\\_story.html?utm\\_term=.ff149a0a170e](https://www.washingtonpost.com/business/economy/house-republicans-consider-adding-some-state-income-tax-deductions-to-overhaul-bill/2017/12/05/e25c3000-d9fa-11e7-b1a8-62589434a581_story.html?utm_term=.ff149a0a170e)

### House GOP exploring tax plan changes to help California, other high-tax states

Top House Republicans said Tuesday they were exploring changes to their tax plan that would lower tax bills for Californians and others who pay high state income taxes — including by allowing Americans to deduct some state income tax payments from what they owe in federal taxes.

House Ways and Means Chairman Kevin Brady (R-Tex.) told reporters Tuesday that tax writers are looking at a number of ways to give relief to residents of high-tax states. One would involve opening up the property tax deduction, capped at \$10,000, to state and local income and perhaps sales taxes. Others would involve expanding eligibility for the child tax credit to more affluent households or simply rearranging the individual tax brackets so taxpayers pay lower rates.

But making any of those work within the larger plan could be difficult. Brady said all of the options cost “significant” amounts of revenue, and the overall plan cannot cost more than \$1.5 trillion over the coming decade. “It’s got a pretty big figure to it,” he said of the potential expanded deduction.

Today's Headlines newsletter

The day's most important stories.

House Majority Leader Kevin McCarthy (R-Calif.) said that he, too, favored expanding state and local tax deductibility, and also said he hoped the House bill’s limit on the deductibility of mortgage interest would be raised. The House bill excludes deductions of interest on loans larger than \$500,000; the Senate bill keeps the current \$1 million threshold intact.

McCarthy also said he was looking at provisions that could help victims of disasters such as the wildfires that have hit California in recent months, including a deduction for property losses. “There’s a lot of things that Californians are working on,” he said.

House Ways and Means Chairman Kevin Brady (R-Tex.) told reporters Tuesday that tax writers are looking at a number of ways to give relief to residents of high-tax states. (Aaron P. Bernstein/Reuters)

The negotiations took place as House and Senate Republicans prepared for a conference committee that would meld the tax bills passed separately by each chamber into a final conference report. That legislation would then have to be passed by the House and the Senate before being sent to President Trump for his signature.

The aim is to complete that process before Christmas.

At the White House, Trump offered his own explanation of the process that’s underway. “I call it the mixer,” he said. “It’s a conference where everyone comes together, they pick all the good things and get rid of the things they don’t like.”

Rep. Devin Nunes (R-Calif.), a senior Ways and Means Committee member who is also serving on the conference committee, said he did not believe that the state and local tax deduction — known as SALT — needed to be addressed in the final bill, but said he would be open to discussions.

“It’s not really necessary,” he said. “There’s ways we can tweak it to make it better . . . but this whole SALT issue is a red herring unless you’re looking for tax breaks for really, really rich people.”

He said his Golden State colleagues were “listening to the mainstream media, who continue to perpetuate a rumor, which is that somehow people aren’t getting tax breaks” when “it only gets better for the people of California, not worse.”

Rep. Darrell Issa (R-Calif.), who represents a high-tax coastal area north of San Diego, voted no on the House tax bill and dismissed the changes McCarthy is seeking as “minuscule.” He said the ability to deduct \$10,000 in state taxes from their federal tax bill would not go far enough to help his constituents.

"If two people go to college, do what's right, and they're at the height of their career and they're making \$150,000 apiece — which, by the way, would include school administrators, it's not that hard in California to be making that — at the pinnacle point of their career, they're being completely disenfranchised by the existing bill or by the one that we just mentioned where they would have this '\$10,000,' " Issa said. Issa said he was open to compromise but said he didn't foresee the bill being able to move far enough in his direction. He predicted that some of his California GOP colleagues who voted yes on the bill in the expectation of future changes would end up without much to show for it. "Once you vote yes to move it along, you're stuck with you already voted yes. . . . And so there are only three of us that voted no, and there are only three of us that can vote no again," Issa said, referring to the no votes by California Republicans. "Once you vote yes to move it along, you're stuck with you already voted yes. . . . And so there are only three of us that voted no, and there are only three of us that can vote no again," Issa said, referring to the no votes by California Republicans. Rep. Mimi Walters (R-Calif.) represents a high-tax Orange County district but voted in favor of the tax bill. She's now seeking assurances that the state and local property tax issue will be resolved, and said that if the \$10,000 deduction can be applied to state taxes, or split between state and local taxes, that's enough to get her to vote yes. Walters said she would like to see the deduction higher than \$10,000, but understands that's unlikely to happen because of the high cost it would entail. Walters acknowledged that her constituents have been concerned about the legislation, particularly the state tax and local taxation issue. "Tax reform is a complicated issue and it's taking a lot of education," Walters said. But she insisted that the bill would ultimately prove a political plus for the GOP despite poor polling numbers. The House also faces pressure to eliminate the corporate alternative minimum tax, a flat tax aimed at ensuring that companies don't use deductions to avoid paying taxes. The AMT, which remains in the Senate tax plan, has kicked up opposition from many business sectors — including California technology companies — concerned that they will lose the ability to use various tax incentives preserved in the new code, such as the research and development tax credit. "It's one of the priorities, no doubt," Brady said of eliminating the corporate AMT. Nunes said he saw little desire to keep the Senate provision in the final bill: "I'm guessing they just needed something quick to make the bill work." Compared with members from high-tax states such as New York and New Jersey, the California Republicans were not among the most vocal critics of the push to partially repeal the popular SALT deduction as the tax bill moved through the House. Only three of the 13 GOP members of the state's delegation ultimately voted against the bill, but McCarthy assured them he would continue pushing to improve the bill as it was taken up in the Senate, according to GOP aides familiar with the process. Neither the House nor Senate bills contain provisions allowing for the deductibility of state income taxes, which would typically mean the provision would be off limits in a conference. But House Republicans believe they can "airdrop" the provision, in congressional lingo, to firm up support from Republican House members in California and other high-tax, largely Democratic states. *Erica Werner contributed to this report.*

#### *California Republicans Push to Preserve Income-Tax Deduction*

*By  
Richard Rubin and*

*Siobhan Hughes*

Dec. 5, 2017 6:51 p.m. ET

WASHINGTON—Though [the House](#) and [Senate](#) have voted to repeal the deduction for state income taxes in Republican tax overhaul plans, it isn't dead yet. California Republicans are pushing for an income-tax deduction in the final tax bill being worked out by lawmakers in a House-Senate conference committee on tax legislation. "There's a lot of things that Californians are working on and why we said we'd move the process forward, looking to be able to make those fixes," House Majority Leader Kevin McCarthy (R., Calif.) told reporters on Tuesday. In November, 11 of the 14 California Republicans in the House voted for the tax bill; New Jersey and New York GOP members, with similarly high state taxes, were much more willing to vote no. The House will need to vote again, and Republicans need 217 votes to guarantee passage if no Democrats vote for the bill. The House and Senate bills both repealed the deductions for state and local income and sales taxes, using that money to lower individual tax rates. They also preserved a \$10,000 itemized deduction for property taxes. That property-tax break was especially important to New York and Illinois Republicans who voted for the House bill. But it is less useful in California, where property taxes are limited and income taxes are more important. California Republicans would like the \$10,000 cap to be higher. And they want at a minimum to let taxpayers deduct \$10,000 against either property or income taxes, said Rep. Mimi Walters (R., Calif.). "I am strongly in favor of making sure we have some sort of fix because I feel it's very important to give that flexibility," said Ms. Walters, who voted for the House bill. She said she didn't know how much such a fix would cost and didn't know whether she would vote for the final version of a tax package without something new. A \$10,000 itemized deduction wouldn't be used by everyone in those states. Taxpayers would likely claim it only if it helped their total itemized deductions, including mortgage interest and charitable contributions, get over the new higher standard deduction of about \$12,000 for individuals and about \$24,000 for married couples. Rep. Kevin Brady (R., Texas), who will lead the conference committee, said there were four or five options lawmakers were considering to address the concerns of lawmakers from high-tax states. That includes Ms. Walters's suggestion of letting the \$10,000 be used for income or property taxes. Mr. Brady said he is also considering how to adjust the tax bracket structure. And he is considering whether the family and child tax credits in the House bill should be changed. The House bill starts phasing out those tax breaks at \$115,000 for individuals and \$230,000 for married couples. That is above current law, but below the Senate's \$500,000 threshold. "All of those options and a few more are being discussed," Mr. Brady said. Republicans are also debating limits on the mortgage-interest deduction. The House voted to limit the mortgage-interest deduction to loans totaling up to \$500,000, down from \$1 million in current law, which is also the level preserved by the Senate. Californians in expensive real-estate markets are pushing for a higher mortgage-interest deduction. "I think it should be somewhere in between, that you can get it between or higher," Mr. McCarthy said. All of those changes would reduce revenue and Republicans would need to find money elsewhere to make up the difference.



Mr. McCarthy doesn't sit on the House committee that will iron out differences between the House and Senate bills, but as a leader who played a key role in assembling the Republican majority that passed the legislation to begin with, he will be pivotal behind the scenes in the days ahead. Write to Richard Rubin at [richard.rubin@wsj.com](mailto:richard.rubin@wsj.com) and Siobhan Hughes at [siobhan.hughes@wsj.com](mailto:siobhan.hughes@wsj.com)

<https://www.wsj.com/articles/california-republicans-push-to-preserve-income-tax-deduction-1512517910>

OVERHAUL COULD CHILL AFFORDABLE HOUSING — AP's Gillian Flaccus: "Municipal governments worry the tax overhaul in Washington, D.C. could chill the construction of affordable housing as homelessness reaches a crisis point on the West Coast.

"Officials with the housing authority in Portland, Oregon, said Tuesday the U.S. could lose nearly 1 million units of affordable housing over 10 years if the final bill eliminates the tax-exempt status for a type of bond commonly used by developers to finance affordable housing. That estimate comes from a recent analysis by Novogradac & Co., a San Francisco-based accounting firm that specializes in real estate and affordable housing issues." [Read more.](#)

<https://apnews.com/>

Tax overhaul could chill US affordable housing construction

PORTLAND, Ore. (AP) — Municipal governments worry the tax overhaul in Washington, D.C. could chill the construction of affordable housing as homelessness reaches a crisis point on the West Coast.

Officials with the housing authority in Portland, Oregon, said Tuesday the U.S. could lose nearly 1 million units of affordable housing over 10 years if the final bill eliminates the tax-exempt status for a type of bond commonly used by developers to finance affordable housing.

That estimate comes from a recent analysis by Novogradac & Co., a San Francisco-based accounting firm that specializes in real estate and affordable housing issues.

While the tax bill is not finalized, developers are now racing to lock in financing and the uncertainty over the bonds has raised upfront costs for some projects, affecting projects from Oregon to Massachusetts to Illinois to Minnesota. The concern comes at a time when homelessness is soaring on the West Coast amid an acute shortage of affordable housing. Cities, including Portland, are rushing to get projects in the pipeline to address the crisis.

"It's a little bit of chaos because there's so much to unpack in the implications of this and folks are scrambling," Michael Buonocore, executive director of Portland's housing authority, said in a phone interview. "This is straightforward math and it is not just funding for public housing that is purely funneled through the government. The low-income tax credit fuels ... private industry and lenders too, so it's across the spectrum."

In Portland, for example, uncertainty over the fate of the private activity bonds has added \$1 million to the cost of a 240-unit affordable housing complex, the largest that's been built in Portland in many years, Buonocore said. Developers will nonetheless break ground in January, but the fate of future projects is less certain, he said.

More than half of affordable housing projects nationwide rely on a 4 percent tax credit that can only be claimed by a developer if at least half of the construction is financed by private activity bonds. The bonds are awarded by states, with the help of local governments, for qualifying projects.

While both House and Senate versions of the tax bill currently retain low-income housing tax credits, the House version would remove the tax-exempt status of the private activity bonds, making them essentially useless as a financing tool.

The analysis by Novogradac & Co. also estimated that lowering the corporate tax rate from 35 percent to 20 percent — a feature of both the House and Senate versions of the tax bill — would effectively devalue low income housing tax credits and result in a loss of investor equity nationally of about \$1.2 billion.

That would translate into about 90,000 fewer affordable rental units over the next decade nationwide, the analysis found.

Portland housing officials say locally that would mean \$200 million in lost equity and 1,800 fewer units.

Follow Gillian Flaccus on Twitter at <http://www.twitter.com/gflaccus>

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**From:** Joe Ventrone <JVentrone@realtors.org>  
**Sent:** Monday, December 18, 2017 8:07 AM EST  
**Subject:** Noteworthy Housing Clips- Week Before Christmas A Edition- December 18, 2017

1. Politico- Housing- Housing tax breaks largely preserved under GOP plan
2. USA Today- GOP tax bill: Here's what people are saying
3. WSJ- Tax Bill a Boon to Commercial Real Estate Owners
4. Bloomberg Gov- Trump, Real Estate Investors Get Last-Minute Perk in Tax Bill
5. WSJ- Deduction Rollback Hurts High-Tax States, But Exodus Isn't Assured
6. Politico- Winners and Losers in Tax Plan
7. WSJ- Government Shifts Gears on Fannie Mae, Freddie Mac
8. WSJ- A Home Buyer's Nightmare: Moving to a Flood Zone Without Knowing It

<https://www.politicopro.com/financial-services/whiteboard/2017/12/housing-tax-breaks-largely-preserved-under-gop-plan-285949?print=true>

#### Housing tax breaks largely preserved under GOP plan

Lorraine Woellert Dec 15, 2017 7:00 PM EST

The Republican tax plan released today, [H.R. 1 \(115\)](#), preserves several major housing tax breaks while imposing caps on others.

Homeowners with existing mortgages will see no change to their mortgage interest deduction. Starting Jan. 1, homeowners obtaining new purchase loans on a first or second house will have their mortgage interest deduction capped at \$750,000, down from the current \$1 million.

Deductions for state and local income and property taxes will be capped at \$10,000.

The plan preserves current law that gives homeowners a tax break on profit from the sale of a house as long as they've owned and occupied it for two of the past five years. Up to \$500,000 in capital gains from the sale of a primary residence is tax free if the owner-occupancy requirement is met. The provision was a hard-fought win for Realtors and title companies.

Advocates for affordable housing prevailed in their fight to preserve tax exemptions for [private activity bonds](#), a popular tool used to finance low-income housing, hospitals and infrastructure. Low-income housing tax credits are also retained under the new plan.

A cut to the corporate tax rate will hit companies that hold deferred tax assets, including government-backed Fannie Mae and Freddie Mac. A February [analysis](#) by Fitch Ratings calculated that the mortgage giants would need to write down a combined \$23.1 billion in tax assets under a 20 percent tax rate. As a result, the companies are likely to require another infusion of taxpayer cash early next year.

**WHAT'S NEXT:** Congress is expected to vote on the tax bill next week.

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#### GOP tax bill: Here's what people are saying

4:05p ET: Amends SEO description and dek

NEW YORK (CNNMoney) -- How do people feel about GOP tax bill? It depends on who you ask.

Some business, advocacy and trade groups have major concerns with it. Others say the tax plan will be boost the economy.

The plan isn't law yet. Another round of votes is due in the coming days. Republican leaders on Capitol Hill have vowed to get it to President Trump for his signature by Christmas.

Here's a breakdown of some responses, pro and con. The statements have been condensed in some cases for brevity.

It will leave millions uninsured

The bill rolls back a key provision of Obamacare known as the individual mandate. The nonpartisan Congressional Budget Office has forecast that 13 million fewer people would have health insurance coverage by 2027, and premiums would rise by about 10% in most years.

Families USA: "Republican leadership in the House and Senate have come up with a deal that will increase health insurance premiums, making millions of people -- including those with pre-existing conditions like cancer or diabetes -- pay more for their coverage, while causing millions more to lose their health coverage altogether. All of that to fund permanent tax cuts for their wealthy donors and corporations." -- Families

USA Executive Director Frederick Isasi

Families USA is a left-leaning advocacy group that works on behalf of health care consumers.

Its lower corporate tax rates will boost the economy

The bill slices the corporate rate to 21% from 35% and lowers the tax burden for pass-through businesses, such as LLCs and partnerships.

Business Roundtable: "Business leaders applaud the conference committee for coming to an agreement that will promote U.S. competitiveness and spur economic growth." --Business Roundtable statement

Business Roundtable is an association of CEOs from some of America's largest corporations.

American Bankers Association: "ABA believes the significant reforms included in this legislation will help grow the economy and create jobs. We particularly applaud the provisions that significantly lower tax rates for all types of businesses beginning in 2018. Banks currently have one of the highest effective tax rates of any industry, and these important changes will allow our members to better serve their customers and the broader economy." --ABA president and CEO Rob Nichols

ABA represents small, midsize, regional and large banks.

Americans for Prosperity: "This final tax reform plan delivers relief to the working class while unleashing opportunity and growth for America's small business owners and job creators. ... Although not perfect, the House and the Senate should be commended for their diligent work to significantly improve our broken system, and the Trump White House deserves credit for its relentless focus on getting tax reform done this year." --AFP President Tim Phillips

AFP is a conservative advocacy group.

Financial Services Roundtable: "Tax reform will help deliver expanded opportunity for individuals and American businesses of all sizes. Congress should quickly move tax reform over the finish line and enable

America to go on economic offense." --Financial Services Roundtable CEO Tim Pawlenty

Financial Services Roundtable is an advocacy group that represents banks and credit card companies.

It will be bad for homeowners

The bill lowers the cap on mortgage interest deduction from \$1 million to \$750,000, and it eliminates the deduction for interest on home equity loans. Homeowners who already have a mortgage would be unaffected by the change.

California Association of Realtors: "The final tax reform bill released punishes homeowners and weakens homeownership. ... Congress is touting this as a tax cut for middle-class families, but the reality is that thousands of California middle-class homeowners will be the first ones to face tax increases." --CAR President Steve White

CAR is a trade group that represents 190,000 California brokers and other real estate professionals.

It will hurt states and cities

The bill will preserve the state and local tax deductions for anyone who itemizes, but it will cap the amount at \$10,000.

National League of Cities: "Congress can't pay for tax reform by stripping the tools that help build stronger, healthier and more economically vibrant communities. [The bill] preserves many key credits and partially protects the deduction for state and local taxes (SALT). Unfortunately, the final bill falls short on its promise to protect American families and the cities and towns in which they live." --NLC President Mark Stodola,

mayor of Little Rock, Arkansas

NLC is an advocacy group that works on behalf of 19,000 American cities and towns.

It will gut charitable giving

The tax bill roughly doubles the standard deduction. Taxpayers can only claim deductions for their charitable donations if they itemize. Nonprofits argue the higher standard deduction will abolish a key giving incentive.

National Council of Nonprofits: "The deal ... will prove disastrous to the work of charitable nonprofits in communities across America. ... If enacted, the bill would, among other things: damage charitable giving by \$13 billion or more annually; destroy more than 220,000 nonprofit jobs; and impair the ability of nonprofits to address community needs. ... Simplifying the tax code could have been a noble exercise, but this bill would do

much more harm than good." --National Council of Nonprofits President and CEO Tim Delaney

National Council of Nonprofits is an advocacy group that works on behalf of charitable nonprofits in the United States.

It will harm small businesses

The bill establishes new rules for businesses that file taxes on their individual returns, known as pass-throughs.

Businesses for Responsible Tax Reform: "The proposals also do little to simplify the code, and actually make it more complex for the more than 90% of small businesses that organize their firms as pass-through entities. This means [small business] owners will continue to sink time and money into complying with a byzantine and bewildering tax code, further tilting the playing field in favor of large corporations that can afford armies of accountants to search out every loophole and advantage. ... A ballooning deficit is bad for business because it drives interest rates higher. --Letter to Congress from Businesses for Responsible Tax

Reform, signed by nearly 2,000 entrepreneurs

Businesses for Responsible Tax Reform is an advocacy coalition that works on behalf of small business owners.

It will help the economy but add to federal debt

The bill, while lowering corporate taxes, would increase deficits by an estimated \$1.46 trillion over a decade, according to the nonpartisan Joint Committee on Taxation.

American Enterprise Institute: "The bill features a long overdue reduction in the corporate tax rate that will draw investment to the United States, boosting workers' productivity and wages. However, the bill will also increase government debt, threatening to drive up interest rates and counteract the increase in investment. A plan to address the long-run fiscal imbalance has become even more imperative." --AEI Resident

Scholar Alan D. Viard

AEI is a Washington, D.C.-based think tank that advocates for libertarianism

[https://www.wsj.com/article\\_email/tax-bill-a-boom-to-commercial-real-estate-owners-1513559547-IMyQjAxMTE3OTE0ODkxNzg0Wj/](https://www.wsj.com/article_email/tax-bill-a-boom-to-commercial-real-estate-owners-1513559547-IMyQjAxMTE3OTE0ODkxNzg0Wj/)

#### Tax Bill a Boon to Commercial Real Estate Owners

Measure coming to a vote this week is likely to hurt some high-income New Yorkers, but developers stand to gain

Keiko Morris Dec. 17, 2017 8:12 p.m. ET

The Hudson Yards development in New York City. Photo: Richard B. Levine/Zuma Press

By

Keiko Morris

The final Republican tax bill [coming up for a vote](#) this week promises to [hit some high-income New York area taxpayers hard](#). But commercial real estate owners have reason to cheer.

The bill, which includes deep tax cuts for corporations, reduces the tax rate and provides a [steep deduction](#) for some businesses structured as partnerships, limited-liability companies and other so-called pass-through companies, which is how most real estate businesses are set up.

In fact, real estate businesses appeared to fare better than other pass-through businesses, which pay taxes through individual returns. Not only does the proposal drop the top individual marginal tax rate, but the plan also gives a 20% deduction on taxable income to pass-through businesses owned by individuals making less than \$157,500 and joint filers making less than \$315,000.

In addition, the bill gives some owners of pass-through companies who exceed those income levels another method of qualifying for that deduction that benefits private real estate partnerships with few employees and large real estate holdings, tax lawyers noted.

"If enacted, the commercial real-estate industry will have hit the jackpot," said Steven M. Rosenthal, a senior fellow at the Urban-Brookings Tax Policy Center, a joint venture of the Urban Institute and the Brookings Institution.

The tax package's main goal is to provide incentives for businesses to move away from the mentality of "preservation of capital" to growth, said New York developer Steve Witkoff. "The psychic value is that you finally have a government saying we are creating incentives for you under the tax code to build more, create more manufacturing facilities and create jobs."

Some developers worried that the tax bill's broader changes, such as residents losing the ability to fully deduct state and local taxes, could weigh on the region's economy. The final version caps the deduction, which can run well into the tens of thousands of dollars for high earners, at \$10,000. The standard deduction, used by people who don't itemize their tax returns, almost doubles under the tax bill, however. Higher federal tax bills for some workers likely will weigh on companies' decisions of where to locate employees and their inclination to put them in major central business districts such as New York City, said Jonathan Mechanic, a partner at law firm Fried, Frank, Harris, Shriver & Jacobson LLP.

"While I am not suggesting a mass exodus, this impacts how they allocate people to major central business districts in gateway cities," Mr. Mechanic said.

Francis Greenburger, chief executive of real-estate company Time Equities Inc., fears that provisions increasing individual taxes in high-tax states could prompt some wealthy residents to leave the state, taking their businesses, jobs and tax revenues with them. "I'd rather have a healthy economy than have a bad economy and pay a lower tax," Mr. Greenburger said. "It's short-term thinking."

For commercial property owners, the final bill presents a bigger victory than many expected.

In the previous Senate version of the bill, high-income partners in private real estate partnerships were limited from taking advantage of the pass-through deduction with a restriction based on the wages the business paid. The final bill added another formula that uses the acquisition of a depreciable property, such as an office building, in calculating how much income qualifies for the deduction, said Mr. Rosenthal. That helps property owners who don't necessarily have many employees.

Commercial real estate owners also avoid limits on deductions for interest expense that will be imposed on other businesses. And the final tax bill preserves the "1031 exchange" provision for real estate investors, allowing sellers of real estate to defer capital-gains taxes by reinvesting the proceeds in some types of properties.

Some developers were buoyed by the overall tax plan and, more specifically, measures they say could spur growth for businesses that lease commercial properties and higher wages to offset the sting of higher individual taxes some would face.

The provision allowing for businesses to fully expense certain investments immediately rather than deducting them over time could make it easier for companies to consider expanding offices, said Mr. Witkoff.

**Write to Keiko Morris at [Keiko.Morris@wsj.com](mailto:Keiko.Morris@wsj.com)**

*Appeared in the December 18, 2017, print edition as 'Tax Bill Is a Boon for Some in State.'*

#### Trump, Real Estate Investors Get Last-Minute Perk in Tax Bill

- Late revision supplies break based on investments in property
- Corker, who dropped opposition, says he wasn't aware of change

By Lynnley Browning and Ben Bain | December 17, 2017 8:08PM ET

Lawmakers scrambling to lock up Republican support for the tax reform bill added a complicated provision late in the process -- one that would provide a multimillion-dollar windfall to real estate investors such as President Donald Trump.

The change, which would allow real estate businesses to take advantage of a new tax break that's planned for partnerships, limited liability companies and other so-called "pass-through" businesses, combined elements of House and Senate legislation in a new way. Its beneficiaries are clear, tax experts say, and they include a president who's said that the tax legislation wouldn't help him financially.

"This last-minute provision will significantly benefit the ultra-wealthy real estate investor, including the president and lawmakers on both sides of the aisle, resulting in a timely tax-reduction gift for the holidays," said Harvey Bezozi, a certified public accountant and the founder of [YourFinancialWizard.com](http://YourFinancialWizard.com). "Ordinary people who invest in rental real estate will also benefit."

James Repetti, a tax law professor at Boston College Law School, said: "This is a windfall for real estate developers like Trump."

The revision might also bring tax benefits to several members of Congress, according to financial disclosures they've filed that reflect ownership of pass-through firms with real estate holdings. One such lawmaker, Republican Senator [Bob Corker](#) of Tennessee, who'd voted against an earlier version of the legislation, said on Friday that he would support the revised legislation.

Corker said in an interview on Saturday that his change of heart had nothing to do with the added benefit for real estate investors. On Sunday he [wrote](#) to Senate Finance Committee Chairman [Orrin Hatch](#) seeking an explanation for how the provision came to be included in the final bill after being asked about it by a reporter.

#### 'President's Goal'

"The suggestion was that it was airdropped into the conference without prior consideration by either the House or the Senate," Corker said, [adding](#) that he'd been informed over the weekend that a similar provision had been in the House version.

Last month, during a speech in St. Charles, Missouri, Trump took pains to tell his audience that the tax-overhaul bill would hurt him personally. "This is going to cost me a fortune, this thing," he said. "Believe me." On Sunday, White House Deputy Press Secretary Lindsay Walters didn't directly address questions about how the added provision would affect Trump or his son-in-law and adviser Jared Kushner, whose family business also has extensive real estate holdings.

"The president's goal in tax reform was to create a bill that gives middle-income families a big tax cut and stimulates economic growth so they can continue to feel that relief for years to come," Walters said in an emailed statement.

It's impossible to gauge precise effects on Trump, who has departed from roughly 40 years of tradition for presidential candidates by refusing to release his tax returns, saying they're under audit. Nonetheless, his financial disclosures show he's used an array of pass-through businesses, including in his real estate ventures.

#### Trump's Businesses

Many of Trump's most lucrative businesses generate income from rents and leases. Trump Tower in Manhattan, with offices and retail stores as well as condominiums, generated \$14.1 million of net operating income on \$33.6 million of revenue in 2016, according to financials disclosed to Trump's lenders at the property. Another office tower, 40 Wall Street in New York's financial district, had \$17.4 million of net operating income on \$36.9 million of revenue that year, similar filings for that building show.

Trump's building at 1290 Avenue of the Americas had \$77.7 million of net operating income on \$137.9 million of revenue in 2016, the lender filings show. Trump owns 30 percent of it. He has a similar arrangement with the building's majority owner, Vornado Realty Trust, for an office complex in San Francisco.

Kushner's family owns Kushner Cos., which could also benefit from the revision. Through various LLCs and partnerships, the family collects tens of millions in rent from apartment complexes and office properties in New York, New Jersey and Maryland.

#### Last-Minute Change

The last-minute change to the tax bill -- which combined a capital-investment approach that the House favored with the Senate's tax-cut mechanism -- would, in effect, free up a 20 percent deduction on pass-through business income that would have been off-limits to many real estate firms under the Senate bill. The change would still leave some investment partnerships out: those that have few employees and invest in tangible property like land or artwork, said Michael Kosnitzky, a tax partner at Pillsbury Winthrop Shaw Pittman LLP.

The distinction centers on whether tangible property held by a business is "depreciable" -- meaning it can be reflected as declining in value over time under accounting rules -- even though it may rise in market value. Depreciable property includes apartment buildings, housing complexes, office towers and shopping centers.

Deciding how to tax pass-through entities, which form the backbone of American business, has been one of the most contentious debates among Republican tax writers in their rush to rewrite the tax code and notch a major policy win by the end of this year. Such businesses, which also include sole proprietorships and "S corporations," don't pay taxes themselves, but pass their income to their owners, who then pay tax at their individual rates.

#### 20% Deduction

Because their tax bill would slash the tax rate for "C corporations" -- a business type that includes major, publicly traded companies like Exxon Mobil and General Electric Co. -- to 21 percent from 35 percent, the Republican tax writers have been under pressure to deliver comparable tax relief to pass-through businesses.

The bill seeks to do that by setting up a 20 percent deduction on pass-through business income -- and making it available to both local pizza shop owners and major, nationwide businesses, all while setting up guardrails to prevent owners from mischaracterizing high-taxed wage income as lower-taxed business income.

The deduction is broadly available to owners of pass-through entities up to an income threshold of \$207,500 for singles and \$415,000 for couples. After that, limits begin to kick in that would prevent various kinds of "service" providers -- including doctors, lawyers, investment advisers and brokers, and professional athletes -- from receiving its benefit at higher income amounts.

The Senate approved legislation on Dec. 2 that included a way for owners of large firms with lots of employees to avoid certain income limitations on the deduction: They'd be allowed to deduct half of their share of the W-2 employee wages their companies paid out annually.

#### New Option

That approach would have left out real estate firms, which typically have relatively few employees but large capital investments. For them, the compromise bill offers an additional method: deduct 25 percent of wages paid, plus 2.5 percent of the purchase price -- or "unadjusted basis" of their tangible, depreciable property.

But no matter the method, owners would be limited to no more than an overall 20 percent deduction.

Offering the 20 percent deduction to businesses that don't tend to employ many people is "in a sense contrary to the Administration's job creation policy initiatives," said Pillsbury Winthrop's Kosnitzsky.

But "many capital-intensive industries are indirect job creators -- putting contractors, subcontractors, tradesmen and other to work," said Ryan McCormick, senior vice president and counsel at the Real Estate Roundtable, a trade group.

Details of how lawmakers decided on their final approach are sketchy. On Sunday, Senate Majority Whip [John Cornyn](#) suggested the change was made as part of a process to "cobble together the votes we needed to get this bill passed."

"We were working very hard," he said during an appearance on ABC's "This Week." "It was a very intense process."

The International Business Times, which first reported on the revision's potential effects on various elected officials, noted that it could benefit several members of Congress who have real estate investments via pass-through businesses. That includes Corker, who was the only Republican senator to vote "no" on earlier Senate legislation. The Senate approved that measure nonetheless on a 51-49 vote, which set the stage for reaching last week's final compromise with House leaders.

#### Corker's Switch

Corker said Friday that he would vote "yes" on the new version -- a reversal that could be meaningful for the bill's chances. Republicans hold a slim, 52-seat majority in the 100-seat Senate, and Republican Senator [John McCain](#) of Arizona, who's being treated for brain cancer, is [not expected](#) to vote this week. Corker's switch gave GOP leaders an extra measure of certainty.

Corker told Bloomberg News Saturday that he wasn't aware of the new benefit for real estate investors when he decided on Thursday to back the final bill based on a two-page summary he'd seen. The bill text was released Friday.

"I have no earthly idea of how that provision -- or, candidly, any other provision -- made it in," Corker said. He also said he didn't know how the change would affect him financially, adding that "there's just no way a provision like that would affect me on a big decision like this."

Corker filed a financial disclosure earlier this year showing that among other interests, he had ownership in Corker Properties X LP, a partnership that owns a building in Chattanooga, Tennessee, according to local property records. Corker listed income from the property between \$1 million and \$5 million in 2016. Still, it's not clear how much benefit he might receive from the bill.

Corker cited concerns about the deficit for his previous opposition, and tax writers have done nothing to alleviate the deficit impact. The Congressional Budget Office estimated late Friday that the revised measure would increase federal deficits by \$1.455 trillion over 10 years, a projection that's slightly higher than for the version Corker opposed previously.

The senator acknowledged that his deficit argument was unsuccessful, but said he had concluded that the bill's overall effect would stimulate economic growth for both corporations and small businesses.

"All of that seems worth the risk," Corker said.

--With assistance from Caleb Melby, Tom Metcalf and Toluse Olorunnipa.

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#### Deduction Rollback Hurts High-Tax States, But Exodus Isn't Assured

Taxes look to be just one of many factors in Americans' decisions about where to live

[Ben Leubsdorf](#) Updated Dec. 17, 2017 11:11 a.m. ET

But research on the subject suggests high-tax regions won't see a sudden or mass exodus. That's because taxes are only one of the many factors that pull a person when he or she chooses where to live.

PHFA-19-0753-A-000345

Tax legislation now [approaching the finish line](#) in Congress would roll back the deduction that taxpayers enjoy on their federal tax returns for paying state and local tax bills. The [latest version](#) would cap the deduction at \$10,000.

Created with Highcharts 5.0.14  
Blue State Blues  
Ten states plus the District of Columbia, most but not all of them Democratic-leaning, saw over a third of tax returns claim the state and local deduction in 2015. Percentage of tax returns claiming the state and local deduction  
Source: Tax Policy Center

Created with Highcharts 5.0.14  
Maryland Connecticut New Jersey D.C. Virginia Massachusetts Oregon Utah Minnesota New York California 0% 5101520253035404550

That's less than the \$12,471 average that Americans who took the deduction claimed in 2015, according to the Tax Policy Center. Rolling back the deduction would thus raise the cost of living for some taxpayers in high-tax states like New York, New Jersey, Connecticut, Maryland and California—particularly in urban areas in these states with their own hefty local taxes.

It's one of the largest individual tax breaks in current law. Nearly 30% of tax returns took advantage of the deduction in 2015, according to the Tax Policy Center, benefiting many [affluent households](#) that itemize rather than take a standard deduction. Limiting it going forward could prompt some of those families to consider relocating to lower-tax areas.

"It's absolutely coming up in conversations," said John Voltaggio, a managing director at Northern Trust Corp. who advises wealthy individuals and families on financial planning. "On the margins, it will affect people's decisions about where to domicile."

Decades of research have concluded that state tax burdens and other fiscal policies matter for some Americans in determining where they live, though the evidence is mixed on just how much people care about tax rates relative to other factors like schools, housing and jobs.

A study published this summer in the American Economic Review [found tax increases](#) at the state level led to top scientists relocating to lower-tax states.

University of California, Berkeley economist Enrico Moretti, who co-authored the study, said the same pattern should be true for other highly paid and educated workers, though he said it can take years for the relocation response to fully kick in after a tax increase.

"We don't think that taxes are the only factor that determine where workers and employers locate, but it seems to be a reasonably important factor in the decision about where to live and do business," Mr. Moretti said.

Relying on that study and other research, economists at Goldman Sachs & Co. last month estimated that eventually, the number of high earners in New York City could fall by 2% to 4% due to the limited deduction, though that was based on an earlier form of the bill.

Over time, relatively higher individual tax burdens in some states may deter companies from locating or expanding there, especially if it becomes difficult to attract workers to those areas.

"If you're looking at a situation where you have to recruit talent and they have other options, then it becomes a very salient factor indeed," said Christopher Steele, chief operating officer at Investment Consulting Associates, which advises companies on site selection.

The ripple effects could be felt by state and local governments, especially in places where relatively high state and local tax burdens have supported more extensive government expenditures on social and other programs. Taxpayers in those areas could resist further tax increases.

"If you are feeling squeezed, especially if you're in one of these particularly high tax areas ... are you going to pay for a tax-rate increase that you can no longer itemize?" said Jane Ridley, a U.S. public-finance analyst at S&P Global Ratings.

But there are reasons to think the effects of curbing the deduction could turn out to be limited.

While high-income individuals would have an incentive to relocate and lower their tax burden, they could have other ties to their communities that keep them in place: a working spouse, owning a home instead of renting, local clients and business contacts, ownership of a business, children enrolled in local schools and so on.

"All of these things make people less mobile and more tied to place," said Stanford University sociologist Cristobal Young.

Moreover, though some high-tax urban areas might be susceptible to flight over taxes, many offer other powerful draws. Cities like New York or San Francisco, for example, are cultural centers and dynamic engines of economic growth that attract young workers to tech and finance jobs.

"If you're in your working years and making your career, you shouldn't let those few percentage points dictate the decision," said Mr. Voltaggio, who is based in New York.

For many high earners in high-tax areas, he added, the benefits of the state and local deduction have already been limited by the alternative minimum tax, a parallel tax that narrows the benefits of deductions for people with high incomes who itemize.

Papers co-authored by Mr. Young found tax increases on high earners in New Jersey in 2004 and California in 2005 had little or no effect on how many high-earning taxpayers left those states. Nor did a 1996 tax cut on high-earning Californians spark an inflow of the wealthy.

In [a broad study](#) published last year in the American Sociological Review that analyzed data for U.S. taxpayers earning \$1 million or more, Mr. Young and three co-authors concluded that "millionaire tax flight is occurring, but only at the margins of statistical and socioeconomic significance."

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<https://www.politico.com/story/2017/12/15/gop-tax-plan-winners-losers-230853>

#### The winners and losers in the GOP tax plan

Trump, Ryan and McConnell are finally checking a legislative-victory box as the bill speeds across the finish line with seemingly minimal resistance.

AARON LORENZO 12/15/2017 03:53 PM EST

The tax overhaul Republicans are poised to pass next week would usher in once-in-a-generation changes in how everyone from the biggest multinational corporations like Apple to middle-class workers are taxed, upending the long-established order on who pays more and who pays less.

The tradeoffs, lobbying and special interests have allowed the bill to create a new set of haves and have-nots when it comes to the tax code. Here's a look at who comes out ahead — and who loses out — now that the ink is drying on the details.

#### WINNERS

— Many people who work for a living, including the richest. The bill would cut individual tax rates and double the standard deduction to \$12,000 for single people and around \$24,000 for couples. That would mean a tax break for most Americans, at least in the next few years. Late in the game, GOP leaders cut the top rate for households making over \$600,000 and individuals making over \$500,000 to 37 percent (from the current 39.6 percent).

— Wealthy heirs. The estate tax threshold would get doubled to about \$11 million for individuals and \$22 million for married couples. Those whose inheritances would exceed those exemption levels would still get hit, since the plan wouldn't end the estate tax as the House wanted, but there aren't too many of them.

— Businesses. The top corporate rate would move down to 21 percent from 35 percent, and shareholders and others with investment income would see their tax bills cut by one-third or more. Owners of businesses that are taxed at the same rates as individuals, from the corner grocery to the Trump Organization, would see their effective tax rate drop to less than 30 percent, at most, from as high as nearly 40 percent.

— Big U.S. companies that operate globally, like Apple and Microsoft. The United States would follow most other industrialized countries in switching to a "territorial" tax system, where overseas profits aren't taxed at home. They'd also get a low, one-time tax rate when they bring home profits they're holding abroad. However, that tax would be larger than expected, and they would face complex rules meant to discourage them from moving more money and operations abroad.

— Wall Street. Investment fund managers wouldn't have to reclassify their "carried interest" compensation — the share of investor profits that they get — from lower-taxed capital gains to ordinary income. Despite President Donald Trump's vow to end what some consider a loophole, the only new limit fund managers would face is the amount of time they have to hold assets to qualify for the lower rate — three years instead of one year under current law.

— People with high medical expenses and adopted children. Taxpayers would be able to deduct the costs of medical expenses that exceed 7.5 percent of their adjusted gross income for this tax year and next. In 2019, the threshold would return to 10 percent, its current level. House Republicans had proposed fully scrapping the deduction. A credit for adoptions also remains on the books, a provision that the House had also targeted for elimination.

— College students and K-12 teachers. College loan interest would remain deductible, and tuition waivers for graduate students wouldn't get counted as taxable income. Both had been on the chopping block. But an excise tax on large college endowments is expected to remain in the tax package, which opponents are saying could hurt college scholarships going forward. For lower levels of education, teachers would still be able to deduct some of their out-of-pocket expenses for school supplies they buy their students.

— Local governments, hospitals and housing. The legislation would preserve the tax-deductible status of private activity bonds. They are used by state and local governments for infrastructure, by hospitals that want to expand and for building affordable housing.

— Manufacturers. Major manufacturers would benefit the most from a provision that would let businesses immediately write off the cost of new investments, known as full expensing. It would be on the books for five years before beginning to wind down under the bill, but backers expect it to get extended.

— GOP brass: Trump, House Speaker Paul Ryan and Senate Majority Leader Mitch McConnell are finally checking a legislative-victory box as the bill speeds across the finish line with seemingly minimal resistance. They spent months trying to repeal the Affordable Care Act but couldn't do it, and now they're on the verge of eliminating a big part of it — the requirement for everyone to have health insurance — in the tax bill. Expect them to tell voters ahead of next year's midterm elections that the tax cuts are growing the economy and everyone wins. But ...

#### LOSERS:

— People who make a lot of money and live in high-tax states like New York, New Jersey and California. No one would more acutely feel the loss of the federal deduction for all state and local taxes and the new \$750,000 cap on the home mortgage interest deduction, down from \$1 million. A compromise on SALT would allow taxpayers to deduct property taxes and either income or sales taxes, with a combined limit of \$10,000. But some lawmakers, particularly from the Northeast, still say it's not enough for many of their constituents. Bottom line: The amount of their income that is taxable would increase.

Homeowners, mostly on the East and West coasts, could see their home values decline. It would also affect infrastructure and public services such as education, according to Americans Against Double Taxation, since raising revenue needed to fund the costs of governance would be harder if residents can no longer write off all state and local taxes.

— Doctors and lawyers. Some pass-through businesses, including doctors and lawyers, would be precluded from the lower tax rates on pass-through income.

— Corporate borrowers. Business debt wouldn't get the same tax benefits going forward because companies' ability to deduct interest would change. The House and Senate bills would place a new limit on the business deduction to 30 percent of income, though the two chambers defined income differently.

— Workers who depend on a regular paycheck. Many of them would get a mostly minimal decrease in their marginal tax rate, compared to contractors and the self-employed. This is due to the changes in taxation of pass-throughs, and some tax experts say people would try to game the system to take advantage of the pass-through deduction.

— Deficit hawks. The tax plan was built with a \$1.5 trillion budget allowance for tax cuts that didn't require offsets, which advocates have said would mostly be made up by revenue from economic growth. But a host of official estimates and outside analyses have shown otherwise, and there's certainly concern that the real cost of the package would exceed that \$1.5 trillion when individual tax cuts that are scheduled to run for only eight years get extended as expected.

— Preachers who want to politic from the pulpit. The long-standing ban on churches and other religious organizations endorsing political candidates would continue, despite an attempt by the House to use the tax bill to repeal it. Many evangelical Christian groups have been lobbying for years to get rid of the prohibition, and Trump had vowed earlier this year to "totally destroy" it. But the Senate parliamentarian ruled the repeal doesn't meet the chamber's rules, and so it was jettisoned.

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#### Government Shifts Gears on Fannie Mae, Freddie Mac

After years of talk about winding down the mortgage-finance giants, lawmakers are working on bipartisan deal to keep them  
Nick Timiraos Updated Dec. 17, 2017 9:58 a.m. ET

Fannie Mae and Freddie Mac are critical to home mortgages but have been in government conservatorship since the financial crisis. Here, houses are being built in Zelienople, Pa. Photo: Keith Srakocic/Associated Press

WASHINGTON—Mortgage-finance giants Fannie Mae and Freddie Mac are here to stay.

Lawmakers in both parties and the Trump administration are negotiating overhauls of the two companies—critical to home mortgages but in government conservatorship since the financial crisis—that could keep them at the center of the U.S. mortgage market for years to come, abandoning long-stalled proposals to wind them down, people familiar with the matter said.

Bipartisan Senate legislation set to be introduced in early 2018 marks the clearest sign of this reversal and shows how the companies, entering their 10th year under federal control, have proven too risky to attempt

FHFA-19-0753-A-000346



replacing. The housing market has seen strong demand in recent years, driven in part by steady access for many Americans to 4% or lower 30-year fixed-rate mortgages, thanks in part to a government backstop of the companies.

Advancing legislation to refashion the nation's \$10 trillion mortgage market is a heavy political lift and may yet sputter during the coming midterm-election year, as a prior Senate effort did four years ago. One big difference this time around: a more incremental approach largely reliant on the existing housing-finance framework.

Sens. Bob Corker (R., Tenn.) and Mark Warner (D., Va.) are moving to introduce the plan as early as January. Unlike a failed effort four years ago to create an entirely new mortgage-finance system, their plan would restructure—not eliminate—Fannie and Freddie and allow the companies, stripped of their federal charters, to issue government-guaranteed mortgage securities, according to people familiar with the matter.

Created with Highcharts 5.0.14

#### Uncle Sam's Club

Mortgages backed by Fannie, Freddie and U.S. agencies saw their market share drop during the housing bubble but have played a dominant role since the 2008 financial crisis. Mortgages backed by Fannie, Freddie and U.S. agencies saw their market share drop during the housing bubble but have played a dominant role since the 2008 financial crisis.

Sources: Inside Mortgage Finance, Urban Institute

Note: 2017 data through June

Created with Highcharts 5.0.14

Fannie/Freddie  
Federal agencies  
2005

'10  
'15  
0  
20  
40  
60  
80  
100

"We're looking for a more simplified approach that protects the taxpayer, preserves the 30-year fixed mortgage and includes stronger access and affordability provisions," Mr. Warner said in a statement Friday.

The companies would remain under government control until privately backed competitors emerge and gain market share, a process that could take years, the people said. It isn't clear what companies might be interested in entering the market. But the bipartisan proposal would restrict the amount of investment that could come from mortgage lenders, a person familiar with the matter said.

Another factor bolstering chances for a deal is the retirement of Washington officials interested in reducing government control of housing, including Mr. Corker. The Tennessee senator has been working with Mr. Warner and Senate Banking Committee Chairman Mike Crapo (R., Idaho) all year on the issue, according to people familiar with the deliberations, and Mr. Crapo has made the overhaul a top goal for his panel.

Even House Financial Services Committee Chairman Jeb Hensarling (R., Texas) signaled this month in a speech to Realtors that he would like to see a Fannie and Freddie deal in what is to be his final year in Congress.

Mr. Hensarling said he is still committed to replacing the companies, but has backed off a position that any future setup provide no federal backstop.

Supporters of an overhaul see a narrow window early next year and could try a long-shot move to tack the changes onto a separate bill to ease postcrisis regulations that could come up for a Senate vote in the next couple of months.

Treasury Secretary Steven Mnuchin, who has frequently cited his experience in the mortgage market from his days with Goldman Sachs Group Inc., in November gave support to keeping the two companies, saying he doesn't support an approach favored by some conservatives to abolish them.

"No, I wouldn't," he said in an interview at November's Wall Street Journal CEO Council meeting. "We have got to make sure that the housing system is built to last."

The Trump administration hasn't formally endorsed any legislation nor issued a set of its own overhaul principles. Treasury officials, however, have been in close contact with Senate lawmakers as they develop their plan, according to people familiar with the discussions.

Washington's about-face will come as little surprise to market participants who for years predicted that efforts to replace Fannie and Freddie, which together back around half of all outstanding mortgages, would prove too difficult. But the shift on Capitol Hill nevertheless illustrates one way in which policy ideologues appear to have lost ground to market realities.

The companies became so politically toxic after the financial crisis that longtime defenders of the firms, such as former Rep. Barney Frank (D., Mass.), said the companies should be abolished. President Barack Obama in 2013 called on Congress to "wind down" the firms and "end Fannie and Freddie as we know them."

But by 2014 private markets hadn't revived amid a widespread lack of investor confidence in mortgage bonds that didn't have a government guarantee. Officials began rethinking the issue, concerned that their efforts could hurt the housing market. At the time, Obama advisers prepared plans to repurpose the companies as part of a refashioned mortgage-market infrastructure.

The latest iteration of those plans, including in the Senate bill, are the first effort with significant bipartisan backing to keep the companies rather than replace them.

Even if the plans don't become law, they show how the companies' standing has improved in Washington, helped in part by their strong profits that have more than made taxpayers whole for the \$187 billion Fannie and Freddie received from the Treasury for support after the crisis.

At the direction of their regulator, the Federal Housing Finance Agency, the companies have also made a series of changes in how they operate, addressing some concerns by critics without legislation.

By next year, the companies' investment portfolios will have fallen to less than \$250 billion each, after swelling to more than \$900 billion each at their peak. The Senate plan could liquidate those portfolios altogether, the people said.

The portfolios, the source of large amounts of debt, were a concern when the financial crisis spread in 2008. The companies had stuffed the portfolios with riskier loans to profit on the spread between those high-yielding assets and their much lower cost of corporate debt thanks to a fuzzy, implied government guarantee. The mortgage-finance companies have also stepped up efforts to sell off credit risk on loans they insure and have done about \$60 billion in such transactions through June.

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Appeared in the December 18, 2017, print edition as 'Revamp Of Fannie, Freddie Is Reworked.'

A bill passed by the House of Representatives would require states participating in the National Flood Insurance Program to impose requirements by October 2022 that sellers disclose incidents of flooding and requirements that a property carry flood insurance.

[https://www.wsj.com/article\\_email/a-home-buyers-nightmare-moving-to-a-flood-zone-without-knowing-it-1513512000-1MvQjAxMTI3MzEwNzUxNjc0Wj/](https://www.wsj.com/article_email/a-home-buyers-nightmare-moving-to-a-flood-zone-without-knowing-it-1513512000-1MvQjAxMTI3MzEwNzUxNjc0Wj/)

#### A Home Buyer's Nightmare: Moving to a Flood Zone Without Knowing It

There are no federal laws requiring home sellers to disclose if their properties previously have been flooded

Laura Kusisto Dec. 17, 2017 7:00 a.m. ET

When Emilie Hayes and her husband bought a home in St. Louis in 2005, they weren't worried that it was in a 100-year floodplain. She took it to mean the property would get flooded once a century.

But Mrs. Hayes, an order-management specialist for a media company, and her husband, who owns a hardwood flooring business, applied for a permit to do work on the property, a county official broke the news to them that the home sat in a floodway.

Runoff from rain storms regularly flows through their nearly one-acre property. After it flooded more than half-dozen times in seven years, a 2015 deluge destroyed the house and their possessions. "We lost everything," said Ms. Hayes, who is 44 years old. "We knew it was in a zone of flooding but it's very deceptive how it's portrayed...The information provided was very minimal."

The couple tore down the \$154,000 bungalow but still own and pay taxes on the land. They bought another house and would like to sell the land, but that will be difficult.

Hurricanes in Florida, Texas and Puerto Rico this year underscored the risks of flooding, and the lengthy and costly process of rebuilding. Rising sea levels and continued development in coastal areas have helped put millions of U.S. homeowners at risk of flooding. In all, about 1.9 million homes worth \$916 billion are at risk of flooding due to rising sea levels during the next century, according to an analysis by home-listings tracker Zillow.

Yet, no federal law requires home sellers to disclose if their properties previously have been flooded. Instead, state laws govern what sellers must tell buyers and when, and the rules vary from strict-disclosure requirements to practically none at all.

Home buyers in Florida, Missouri and North Carolina, for example, have little or no explicit legal guarantee they will be told if their new property has ever been flooded.

In other states, such as New York, some buyers find out their home is a flood risk when they are at the closing and the bank tells them they must get flood insurance. There is a disclosure form in New York that asks about standing water but sellers can offer a \$500 credit instead of submitting the document, which real-estate agents say is common practice.

Home inspections don't always turn up evidence of water damage, either.

Advocates for stricter development rules in flood zones say the lack of transparency perpetuates a system in which properties are flooded again and again, with limited information passed from one owner to another about the risks.

"It's basically a game of musical chairs," said Robert Moore, a senior policy analyst with the Natural Resources Defense Council. "You can't expect people to make the right choices when they're denied information."

A 100-year floodplain is a designation for the purposes of insurance that a property has a 1 in 100 chance of flooding in any given year.

Flooded waters outside the home Emilie Hayes and her husband bought in St. Louis in 2005. Photo: Emilie Hayes

Joe Tirone, 2018 president-elect of the Staten Island Board of Realtors, said he didn't realize a home he purchased there as an investment to rent out was in a flood-prone area. He didn't have a mortgage so he wasn't required to get flood insurance.

Mr. Tirone, who led an effort to get the state government to purchase properties in his Oakwood Beach area, said many of his neighbors didn't find out they were buying in a flood zone until they were at the closing table. Many were first-time buyers new to the island who thought the marshy landscape was beautiful and the low prices were a steal.

Mr. Tirone is leading efforts by the Realtors association to come up with a document for all of New York state that would alert people that they must have flood insurance if they are in a designated flood zone.

Christopher Zoller, chairman of the board of directors of the Miami Association of Realtors, said Florida sellers are required to disclose defects that materially affect the value of the property. A disclosure form that is widely used in Florida includes a question about whether the property has experienced water intrusion.

Buyers also rely on the knowledge of local real-estate agents, who have worked for years in flood-prone areas, Mr. Zoller said. "We know when there's been a flood on a street and when there hasn't been," he added.

One of the only disclosures required in Missouri is whether sellers know that the property has been used for methamphetamine production. A voluntary disclosure form asks whether the seller is aware of flood problems. North Carolina sellers must fill out a disclosure form that asks if their property is in a flood zone, but they have the right to select "yes," "no" or "no representation."

Cady Thomas, senior vice president of government affairs at North Carolina Realtors, said in hot markets sellers more often select the "no representation" option.

A bill passed by the House of Representatives would require states participating in the National Flood Insurance Program to impose requirements by October 2022 that sellers disclose incidents of flooding and requirements that a property carry flood insurance.

Rental landlords would have to adhere to similar requirements.

The bill also would give homeowners access to information from the Federal Emergency Management Agency about previous flood-insurance claims for their property.

Such changes have stalled in the Senate. Congress instead earlier this month passed a two-week extension of the current law, which would leave regulations intact.

The proposed changes have received widespread support in the industry, including from the National Association of Realtors, a trade group.

"It really equips you to make some of those decisions earlier on and not feel like you were blindly led," said Laura Lightbody, project director of Flood-Prepared Communities at the Pew Charitable Trusts, a research group.

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**From:** Anna Palmer Jake Sherman Daniel Lippman <politicoplaybook@politico.com>  
**Sent:** Friday, August 17, 2018 1:07 PM EDT  
**To:** Moore, Megan <Megan.Moore@fhfa.gov>  
**Subject:** Playbook PM: NEW: Dem super PAC hammers House GOP leadership in new ad

Aug 17, 2018

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## POLITICO Playbook PM

BY JAKE SHERMAN, ANNA PALMER, DANIEL LIPPMAN AND ELI OKUN

Presented by □

**NEW ... YOU NEED TO WATCH THIS BOMBSHELL AD ... HOUSE MAJORITY PAC**-- a top super PAC that aims to elect Democrats to the House -- drops a shockingly tough and sharp ad on House GOP leadership, reviving old personal scandals, allegations of affairs and government crises. This is a 30-second digital ad that they are putting five figures behind, for the time being. They wouldn't say the exact amount. [Watch the 30-second spot](#)

-- **SCRIPT:** "They've shut down the government" [Video of Newt Gingrich flashes]

"Resigned in shame" [Video of Bob Livingston, with headline "Speaker-elect Admits Illicit Sexual Affairs"]

"Paid hush money" [Video of Denny Hastert in a wheelchair, with a headline "Hastert Paid Sex-Abuse Accuser \$1.7 Million to Stay Quiet"]

"And tried to end Medicare and Social Security" [Video of Paul Ryan]

"Here's who Republicans might have to answer for next" [Photos of Jim Jordan, Steve Scalise and Kevin McCarthy, with the headline "Republicans Brace for a Brutal House Leadership Race"]

"Jim Jordan, remind you of Joe Paterno?" [Video of Jordan, with the headline "Rep. Jim Jordan is Named in New OSU Sexual Abuse Lawsuit"]

"Kevin McCarthy, Paul Ryan's protege with a lot of baggage" [Video of Ryan and McCarthy, with the headline "2015: Kevin McCarthy Quits Speaker Race Amid Allegations of Affair"]

"And Steve Scalise, linked to KKK leader David Duke" [Video of Scalise, with the headline "Steve Scalise Once Defended Himself Against Links to David Duke"]

"No wonder they aren't looking out for you" [With photos of Jordan, Scalise and McCarthy]

-- **JORDAN AND MCCARTHY** have denied both allegations they're bringing up, and the Scalise story is a bit more complicated than presented. But this is a very tough ad, which is trying to amplify the message that the GOP is not fit, in any way, for office -- a message they've been trying to push for some time.

**KNOWING MELANIA TRUMP -- NYT's KATIE ROGERS, JULIE HIRSCHFELD DAVIS and MAGGIE HABERMAN:**

**"Melania Trump, a Mysterious First Lady, Weathers a Chaotic White House":** "A little more than a year later, Mrs. Trump remains an intensely private first lady still adjusting to the demands of a new life. She has few friends in Washington, keeps a light public schedule and when not watching over her 12-year-old son, Barron, returns home to New York — at least once per month, two people close to her say — for meetings and to visit a small circle of associates, including her sister and her hairstylist. ...

**"Her staff is small — 10 people,** compared with more than 25 who worked for Michelle Obama or Laura Bush — and she has struggled to put substance behind a public service project ... Allies describe Mrs. Trump as warm, engaging and witty, traits at odds with the totemic stance she often takes in public. Just like her husband, she often ignores guidance from aides in favor of her own instincts, and directs her staff to fight back against news media coverage she dislikes. ...

**"Several friends and aides of the Trumps insist that the dynamic** of the first couple's marriage has not

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fundamentally changed from their days in Trump Tower. One friend of the Trumps in Palm Beach, Fla., said Mrs. Trump entered the relationship with Mr. Trump with her eyes open, and has weathered 13 years of scandal-plagued marriage and a rocky transition into the White House primarily for the benefit of keeping life stable for their son." [NYT](#)

**MICHAEL COHEN FILES -- "As 'Access Hollywood' Tape Surfaced, Michael Cohen Changed Tune on Paying Stormy Daniels,"** by WSJ's Joe Palazzolo, Nicole Hong, Rebecca Davis O'Brien and Rebecca Ballhaus: "Federal prosecutors in New York view the 'Access Hollywood' tape as a trigger that spurred Mr. Cohen to bury potentially damaging information about his boss, as they investigate whether the payment amounted to an illegal, in-kind contribution or an expenditure that should have been disclosed by the campaign, people familiar with the matter said.

...

**"A campaign-finance charge would require prosecutors** to prove the payment to Ms. Clifford was meant to help Mr. Trump prevail in the coming presidential election." [WSJ](#)

A message from AARP:

POLITICO's series "The Deciders" takes a closer look at voters over 50 this cycle through original polling, cutting-edge data visualization, and POLITICO's award-winning on-the-ground narrative storytelling and photojournalism. The series has explored voters over 50 from America's largest Florida retirement community and Hispanic voters in Arizona. Visit [politico.com/thedeciders](https://politico.com/thedeciders) to learn more.

**WAPO: "Trump blames D.C. officials for postponing his military parade; Bowser responds his plan was 'sad,'"** by John Wagner and Peter Jamison: "About an hour after the president's tweet, D.C. Mayor Muriel E. Bowser (D) delivered her own caustic response on Twitter, indicating the desired parade would have cost \$21.6 million to organize in the nation's capital. The federal government typically reimburses the District for a large share of the security and logistical costs for such events.

**"Yup, I'm Muriel Bowser, mayor of Washington DC,** the local politician who finally got thru to the reality star in the White House with the realities (\$21.6M) of parades/events/demonstrations in Trump America (sad),' Bowser tweeted.

**"A city official said the planning process for the parade** had been difficult to coordinate with White House officials, who had been slow to communicate details of the event, including plans for a specific date." [WaPo](#)

-- **"Here's how much D.C. thinks Trump's military parade will cost":** [POLITICO](#)

**Good Friday afternoon. SCOOP -- "AP Sources: U.S. ends Syria stabilization funding,"** by Matthew Lee: "U.S. officials said the administration notified Congress on Friday that it would not spend some \$200 million that had been planned for Syria programs and would instead shift that money to other areas. ... They said the cut will be more than offset by an additional \$300 million pledged by coalition partners, including \$100 million that Saudi Arabia announced ...

**"Still, the U.S. move is a sign** the administration is heeding Trump's demand to end U.S. involvement in Syria and reduce its commitment there." [AP](#)

**MANAFORT TRIAL, DAY 14 -- "Jury deliberates as Trump calls Manafort a 'good person,'"** by Darren Samuelsohn and Josh Gerstein: "After the jurors left the courtroom to deliberate Friday morning, Ellis acknowledged the trial 'might end soon' ...

**"Ellis also scheduled a hearing around 2 p.m.** Friday to hear arguments from seven news organizations, including POLITICO, that are seeking access to several sealed transcripts from bench conferences during the trial, as well as other documents filed in the case that aren't public, including records containing the names of jury members."

[POLITICO](#)

-- **"Trump: Manafort trial is a 'very sad day for our country,'"** by Caitlin Oprysko: "Responding to a shouted

FHFA-19-0753-A-000350

question of whether or not he would pardon Manafort, Trump wouldn't answer either way, instead saying that 'I don't talk about that.'" [POLITICO](#)

**ALSO ON THE PRESIDENT'S MIND -- @realDonaldTrump** at 7:30 a.m.: "In speaking with some of the world's top business leaders I asked what it is that would make business (jobs) even better in the U.S. 'Stop quarterly reporting & go to a six month system,' said one. That would allow greater flexibility & save money. I have asked the SEC to study!"

**ON THE WORLD STAGE -- "U.S. slaps sanctions on Myanmar for 'atrocities,'"** by Nahal Toosi: "The United States on Friday slapped sanctions on four Myanmar security officials and two of the country's military units for human rights abuses, including ethnic cleansing against the country's minority Muslim Rohingya population.

**"The announcement from the Treasury Department comes** as Secretary of State Mike Pompeo deliberates on whether to declare what happened to the Rohingya a genocide." [POLITICO](#)

**-- NYT'S KEN VOGEL (@kenvogel):** "TRUMP SETTING TONE FOR DICTATORS: The newspaper run by the party of Hungary's authoritarian anti-immigrant ruler VIKTOR ORBAN is going after @POLITICOEurope as — you guessed it — 'FAKE NEWS.'" [Image from Hungary](#), via *Lili Bayer*

**WHAT JIMMY CARTER IS UP TO: "The un-celebrity president,"** by WaPo's Kevin Sullivan and Mary Jordan in Plains, Georgia: "Carter has been an ex-president for 37 years, longer than anyone else in history. His simple lifestyle is increasingly rare in this era of President Trump, a billionaire with gold-plated sinks in his private jet, Manhattan penthouse and Mar-a-Lago estate.

**"Carter is the only president in the modern era to return full-time** to the house he lived in before he entered politics — a two-bedroom rancher assessed at \$167,000, less than the value of the armored Secret Service vehicles parked outside. ...

**"Carter has been notably quiet about President Trump.** But on this night, two years into Trump's term, he's not holding back. 'I think he's a disaster,' Carter says. 'In human rights and taking care of people and treating people equal.' 'The worst is that he is not telling the truth, and that just hurts everything,' Rosalynn [Carter] says." [WaPo](#)

**MAGGIE SEVERNS: "Oh that's cool — do that!': Super PACs use new trick to hide donors":** "Overall, at least two dozen super PACs that spent millions of dollars in recent elections used loopholes to get out of revealing their donors, according to information compiled by the Campaign Legal Center, a watchdog organization.

**"It's a sign that political operatives see more risk** in revealing the big-money meddlers in congressional elections than in pushing the boundaries of campaign finance law — and many of the groups pushing the boundaries are aligned with Democrats, the party most associated with complaints about undisclosed 'dark money' affecting elections. ... The PACs' maneuvering ranges from legal trickery to blatant disregard for campaign finance law." [POLITICO](#)

**THE BIG PICTURE -- "In a Divided Era, One Thing Seems to Unite: Political Anger,"** by NYT's Jeremy W. Peters: "To a degree that is unique to this period and this president, disputes over politics have divided Americans' homes, strained marriages, ruined friendships and invaded the workplace. ...

**"High tension, raw emotion and occasional violence have always been** a feature of American democracy — in times of war and peace, through presidential impeachments and mass protest movements. But interviews with voters across the country, along with an analysis of recent research by political scientists who specialize in partisan division, suggest that politics is changing how Americans think and behave in new and unsettling ways." [NYT](#)

**THE TRUMP ADMINISTRATION ... "Trump readies new round of controversial Medicaid changes,"** by Dan Diamond: "[T]hey are moving forward even after a federal judge blocked Kentucky's work requirement in June, saying the Trump administration failed to consider how the plan would affect coverage, and new evidence that thousands of Arkansans will lose benefits because of the state's work requirement. Advocacy groups have sued to stop Medicaid work requirements in both states and threaten further litigation if more changes are OK'd.

**"Nonetheless, the administration is expected to sign off** soon on work requirements in three more states — Arizona, Wisconsin and Maine — while approving limited drug testing questions sought by Wisconsin's GOP Gov. Scott Walker, according to four individuals with knowledge of the process." [POLITICO](#)

**WAPO'S ANNIE GOWEN in NEW DELHI: "Taxpayers' bill for Trump Jr.'s business trip to India: \$32,000 and counting, documents show":** [WaPo](#)

**JARED KUSHNER READING ... "Criminal justice deal faces steep Senate hurdles despite Trump's push,"** by Elana Schor: "[I]nterviews with a dozen GOP senators show that those talks remain in a precarious state. That's because the handful of Republicans who have long protested reducing mandatory-minimum sentences leave Majority Leader Mitch McConnell (R-Ky.) without any incentive to call up legislation that would split his conference." [POLITICO](#)

**-- "'Unbearable' Noise and Dust: Kushner Companies Accused of Driving Out Tenants in Brooklyn Building,"** by NYT's Charles V. Bagli: "This is not a story of low-income families being forced out of their homes. But it is a classic tale of gentrification and profit-taking on the Brooklyn waterfront over the past two decades." [NYT](#)

**WAR REPORT -- "Officials worry Trump may back Erik Prince plan to privatize war in Afghanistan,"** by NBC's Carol E. Lee, Courtney Kube and Josh Lederman: "A year after Trump's strategy announcement, his advisers are worried his impatience with the Afghanistan conflict will cause him to seriously consider proposals like Prince's or abruptly order a complete U.S. withdrawal." [NBC](#)

**-- "Laser Beam Attacks Bedevil U.S. Military Pilots in Mideast,"** by WSJ's Gordon Lubold: "Hostile forces in the Middle East are targeting American pilots with laser pointers at a growing rate, imperiling aircrews and reflecting a problem more widespread and longstanding than the Pentagon has previously acknowledged.

**"American pilots operating in Syria, Iraq and Afghanistan,** the three most prominent conflict zones for American troops, experienced most of the more than 350 lasing incidents reported over the last seven months." [WSJ](#)

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**E&E NEWS' AMANDA REILLY (@apeterka):** "JUST IN: In another big court loss for EPA, D.C. Circuit throws out rule delaying Obama-era safety standards for chemical facilities."

**WILD READ -- "Trump and Omarosa Had a 'F\*cking Weird' Fight With Vietnam Vets,"** by The Daily Beast's Asawin Suebsaeng: "[Rick] Weidman was imploring the president and his team to permit access to benefits for a broader number of vets who have said they were poisoned by Agent Orange. Trump responded by saying, 'That's taken care of' ... His reply puzzled the group. Attendees began explaining to the president that the VA had not made enough progress on the issue at all, to which Trump responded by abruptly derailing the meeting and asking the attendees if Agent Orange was 'that stuff from that movie.' ...

**"[M]ultiple people—including Vietnam War veterans—chimed in** to inform the president that the Apocalypse Now set piece he was talking about showcased the U.S. military using napalm ... Trump refused to accept that he was mistaken and proceeded to say things like, 'no, I think it's that stuff from that movie.'" [The Daily Beast](#)

**MORE JOHN BRENNAN FALLOUT -- "Bob Gates signs on to letter criticizing Trump for pulling security clearance,"** by Rebecca Morin: [POLITICO](#)

**-- @nprpolitics:** "#Breaking: President Trump told reporters that he is likely to revoke Justice Department official



Bruce Ohr's security clearance 'right away.'"

**2018 WATCH -- "Fireworks at GOP 1st Congressional District debate in Concord,"** by Paul Steinhauser in the Concord Monitor: "A debate between the two leading Republicans in the 1st Congressional District race turned into a spectacle Thursday night, with one of the candidates being asked to leave after refusing to sign a party unity pledge." [Concord Monitor](#)

**QUEENS CHRONICLE: " [Ocasio-Cortez bans press from town hall](#)"**

**WHERE DEMOCRATS ARE HEADED? -- "The Lock-Him-Up Campaign,"** by David Freedlander in POLITICO Magazine: "The New York AG's office is known for the firepower of its prosecutors and the ambition of its occupants. ... [Zephyr Teachout's] anti-Trump battle plan has already shaped the contours of the race ... Nationally, it represents maybe the most extreme example of a specific new theory of Democratic politics: that the President of the United States represents a red-level threat alert to the republic, and that the first job of Democratic politicians, and especially Democratic prosecutors, is to stop him. ...

**"But it has also led to critics, even within the Democratic Party,** who fret over the prospect of law enforcement officials vowing to investigate their political opponents—and consider this personality-focused approach a dangerous direction for a prosecutor's office to take, regardless of who the president is. ... The critique gets to the heart of what it means to be a Democrat in the Age of Trump, or a principled officeholder of any party, where the job consists both of moving an agenda forward and also defending the system itself from a leader who flouts the norms that kept it healthy in the first place." [POLITICO Magazine](#)

**READY FOR THE SWAMP ... "Czech ambassador to the U.S. once killed a crocodile with a knife,"** by CBS' Kylie Atwood: "When asked if he would pick up a rifle with Mr. Trump's adult sons, who are both avid hunters, [Hynek] Kmoníček raises his eyebrows. 'Well, if there is a chance, I would definitely go.'" [CBS](#)

**TV TONIGHT ...** Bob Costa sits down with POLITICO's Josh Gerstein, WaPo's Michael Scherer, AP's Julie Pace and Bloomberg's Toluse Olorunnipa on PBS' "Washington Week" at 8 p.m.

**PAGING BERNIE BERNSTEIN -- GLOVER PARK GROUP'S ALEX BYERS (@byersalex):** "Spotted: James O'Keefe getting ready to film a stand-up of some type across the street from the FBI building, dressed in a suit, tan trench coat (it's sunny and 86 in DC right now?) and gray fedora. '50s private investigator vibe? Whatta town."

**SPOTTED:** Senate Majority Leader Mitch McConnell (R-Ky.) in the Delta Sky Club at DCA. ... Tom Perez on the phone outside the Dupont Circle Hotel this morning.

**ENGAGED -- Amanda Thayer,** deputy national communications director at NARAL, got engaged to **Eric Heidenberger**, partner/owner at DC Restaurant Group (Shaw's Tavern, 801, Madhatter, Silo and others). "We met at Shaw's Tavern and were actually introduced by our mutual friend, Mike Preston, a lobbyist for the National Rural Water Association." [Pic](#)

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A message from AARP:

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What role will voters over 50 play in key battleground states Fall? Visit [politico.com/thedeciders](https://www.politico.com/thedeciders) to follow the series and learn more.

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**From:** Anna Palmer Jake Sherman Daniel Lippman <politicoplaybook@politico.com>

**Sent:** Friday, March 02, 2018 1:02 PM EST

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Playbook Power Briefing, presented by the Coalition for Affordable Prescription Drugs: STUDENT shot his parents at a Michigan university, hours after W.H. says POTUS is committed to gun rights

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Today's Playbook Power Briefing presented by the Coalition for Affordable Prescription Drugs

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By JAKE SHERMAN ([sherman@politico.com](mailto:sherman@politico.com); [@JakeSherman](#)), ANNA PALMER ([anna@politico.com](mailto:anna@politico.com); [@apalmerdc](#)), DANIEL LIPPMAN ([daniel@politico.com](mailto:daniel@politico.com); [@dlippman](#)) and ZACH MONTELLARO ([zmontellaro@politico.com](mailto:zmontellaro@politico.com); [@ZachMontellaro](#))

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**Good Friday afternoon. ANOTHER SHOOTING ... DETROIT FREE PRESS:** "A Central Michigan University student shot and killed his parents Friday morning in a fourth-floor dorm room, sources told the Detroit Free Press.

**"James Eric Davis, Jr. is listed as a sophomore** in CMU's student directory. Sources told the Free Press his parents arrived on campus Friday morning to pick him up for spring break and were shot and killed. The suspect is still at large. He is considered armed and dangerous. The entire CMU campus and most of the city of Mt. Pleasant, where the university is located, is in lockdown mode while police from local, state and federal agencies search the area."

<http://on.freep.com/2taMZeT>

**TRUMP'S FRIDAY GUN POSITION -- "White House pushes Trump's commitment to gun rights after president meets top NRA lobbyist,"** by Louis Nelson and Rebecca Morin: Sarah Huckabee "Sanders on Friday reiterated that the president continues to be a strong advocate of the right to bear arms.

**"He'll continue to support the Second Amendment,** that's not something that he's backed away from,' Sanders told reporters when asked if the president had made any promises to the NRA during his White House meeting on Thursday with the group's leadership. 'The background check system is something that he's still very much interested in improving.'" <http://politi.co/2t93hFf>

**-- @burgessev:** "Source: President Trump called @JohnCornyn last night to reiterate his support for Fix NICS background check system improvement bill".

**JOHN KELLY SPEAKS,** via David Boyer of the Washington Times: "Kelly said he was 'having my eyes opened' sometime last September about the number of staffers who were still working under interim security clearances. He said it was 'more people than I was comfortable with.' **KELLY** also offered a detailed timeline and explanation of the Rob Porter situation. <http://politi.co/2oFm464>

**DRAMA AT JUSTICE -- NYT's MATT APUZZO and ADAM GOLDMAN: "Andrew McCabe, Ex-Deputy Director of F.B.I., Will Be Faulted for Leaks":** "A Justice Department review is expected to criticize the former F.B.I. deputy director, Andrew G. McCabe, for authorizing the disclosure of information about a continuing investigation to journalists, according to four people familiar with the inquiry.

**"Such a damning report would give President Trump** new ammunition to criticize Mr. McCabe, who is at the center of Mr. Trump's theory that 'deep state' actors inside the F.B.I. have been working to sabotage his presidency. But Mr. McCabe's disclosures to the news media do not fit neatly into that assumption: They contributed to a negative article about Hillary Clinton and the Obama administration's Justice Department -- not Mr. Trump.

**"The department's inspector general,** Michael E. Horowitz, has zeroed in on disclosures to The Wall Street Journal as part of a wide-ranging investigation into, among other things, how the F.B.I. approached the 2016 inquiry into Mrs. Clinton's handling of classified information. Mr. Horowitz has said he expects to release a report this month or next." <http://nyti.ms/2oBrGhS> ... **The October 2016 WSJ article** <http://on.wsj.com/2oEZLO3>

**ON THE PRESIDENT'S MIND -- @realDonaldTrump** at 8:01 a.m.: "We must protect our country and our workers. Our steel industry is in bad shape. IF YOU DON'T HAVE STEEL, YOU DON'T HAVE A COUNTRY!" ... **at 8:57 a.m.:** "When a

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country Taxes our products coming in at, say, 50%, and we Tax the same product coming into our country at ZERO, not fair or smart. We will soon be starting RECIPROCAL TAXES so that we will charge the same thing as they charge us. \$800 Billion Trade Deficit-have no choice!"

-- IN OTHER WORDS, Trump now wants a border-adjustment tax, as we reported earlier this week.

**EUROPE RESPONDS TO TRUMP'S 'TRADE WAR' -- REUTERS: "EU targets \$3.5 billion of U.S. imports for trade retaliation: sources":** "The European Union is considering applying 25 percent tariffs on around \$3.5 billion of imports from the United States if President Donald Trump carries out his plan to apply global duties to steel and aluminium, EU sources say. The European Commission has said it would respond 'firmly' to proposed U.S. import duties of 25 percent on steel and 10 percent on aluminium.

**"It has spelt out it would join others** in a challenge at the World Trade Organization (WTO) and consider safeguard measures, last deployed in 2002, to guard against steel and aluminium being diverted to Europe from elsewhere if U.S. tariffs come in. A further counter-measure under consideration would specifically target the United States to 'rebalance' trade between the two, EU sources say." <http://reut.rs/2t8hWjT>

\*\*\*\*\* **A message from the Coalition for Affordable Prescription Drugs: America's Seniors may be in for a Big October Surprise.** CMS has proposed regulations that will increase costs and cause disruption for millions of seniors this fall. Tell CMS: don't make changes to popular preferred pharmacy network plans that will stick America's seniors with higher premiums & drug costs. [Learn more.](#) \*\*\*\*\*

WaPo's **PHIL RUCKER, ASHLEY PARKER and JOSH DAWSEY: "Jared has faded': Inside the 28 days of tumult that left Kushner badly diminished":** "Once the prince of Trump's Washington, Kushner is now stripped of his access to the nation's deepest secrets, isolated and badly weakened inside the administration, under scrutiny for his mixing of business and government work and facing the possibility of grave legal peril in the Russia probe.

**"Kushner's tensions with chief of staff John F. Kelly** have spilled into public view, while other dormant rivalries have resurfaced. Some colleagues privately mock Kushner as a shadow of his former self; one official likened the work of his Office of American Innovation to headlines in 'The Onion,' the satirical news website.

**"Others said fear of the Russia probe has made some officials** wary of interacting with Kushner on sensitive matters. And his reputation as an interlocutor for foreign governments has been undermined by the lowering of his security clearance level, which generated embarrassing headlines worldwide." <http://wapo.st/2FM1DvA>

-- **"Jared Kushner's Real-Estate Firm Sought Money Directly From Qatar Government Weeks Before Blockade,"** by The Intercept's Clayton Swisher and Ryan Grim: "The real estate firm tied to the family of presidential son-in-law and top White House adviser Jared Kushner made a direct pitch to Qatar's minister of finance in April 2017 in an attempt to secure investment in a critically distressed asset in the company's portfolio, according to two sources. At the previously unreported meeting, Jared Kushner's father Charles, who runs Kushner Companies, and Qatari Finance Minister Ali Sharif Al Emadi discussed financing for the Kushners' signature 666 Fifth Avenue property in New York City." <http://bit.ly/2FLavSl>

**TELL US HOW YOU REALLY FEEL -- "Orrin Hatch: ObamaCare supporters some of the 'stupidest, dumbass people',"** by Fox News' Brooke Singman: "Hatch, chairman of the Senate Finance Committee, was speaking at the American Enterprise Institute to tout the GOP tax law which repealed ObamaCare's individual mandate penalty. 'We also finally did away with the individual mandate tax that was established under that wonderful bill called ObamaCare -- now, if you didn't catch on, I was being very sarcastic,' Hatch said. 'That was the stupidest, dumbass bill that I've ever seen.'

**"He added: 'Now, some of you may have loved it.** If you do, you're one of the stupidest, dumbass people I've ever met. And there are a lot of them on Capitol Hill from time to time.'" <http://fxn.ws/2FM6RYq>

**THE LATEST ON RUSSIA -- "Leaked: Secret Documents From Russia's Election Trolls,"** by The Daily Beast's Ben Collins, Gideon Resnick and Spencer Ackerman: "The Kremlin-backed troll farm at the center of Russia's interference in the 2016 U.S. election has quietly suffered a catastrophic security breach, The Daily Beast has confirmed, in a leak that spilled new details of its operations onto obscure corners of the internet.

**"The Russian 'information exchange' Joker.Buzz,** which auctions off often stolen or confidential information,

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advertised a leak for a large cache of the Internet Research Agency's (IRA) internal documents. It includes names of Americans, activists in particular, whom the organization specifically targeted; American-based proxies used to access Reddit and the viral meme site 9Gag; and login information for troll farm accounts." <http://thebea.st/2F9RSGD>

**HOT NUMBER -- America Rising's Allan Blutstein:** "According to data entered on DOJ's website FOIA.gov, the federal government received 818,275 FOIA requests in fiscal year (FY) 2017 -- an increase of 29,506 requests (or 3.7 percent) from fiscal year 2016, when the government received 788,769 requests.

**"The agencies receiving the largest number of requests** were the Department of Homeland Security (366,036), Department of Justice (82,088), National Archives and Records Administration (60,337), Department of Defense (55,198), and Health and Human Services (34,978)." <http://bit.ly/2FIZcdf>

**UNDOING OBAMA, CONTINUED -- "Oil Was Central in Decision to Shrink Bears Ears Monument, Emails Show,"** by NYT's Eric Lipton and Lisa Friedman: "The debate started as early as March 2017, when an aide to Senator Orrin Hatch, Republican of Utah, asked a senior Interior Department official to consider reduced boundaries for Bears Ears National Monument in southeastern Utah to remove land that contained oil and natural gas deposits that had been set aside to help fund area public schools.

**"Please see attached for a shapefile and pdf** of a map depicting a boundary change for the southeast portion of the Bears Ears monument," said the March 15 email from Senator Hatch's office. Adopting this map would 'resolve all known mineral conflicts,' the email said, referring to oil and gas sites on the land that the state's public schools wanted to lease out to bolster state funds." <http://nyti.ms/2F5DvXP>

**HAPPENING NEXT WEEK -- NANCY PELOSI** is donating three items to the National Museum of American History from her tenure as the first female speaker of the House: "the lacquered-maple gavel given to her, the burgundy pantsuit she wore to her swearing in and the original speech she gave on the morning of Jan. 4, 2007." There will be a special ceremony at the museum on March 7 where Reps. Cathy McMorris Rodgers (R-Wash.) and Doris Matsui (D-Calif.), PBS' Judy Woodruff, Secretary of the Smithsonian Institution David Skorton and other museum officials are expected to attend.

**TV TONIGHT -- Bob Costa** is joined on this week's "Washington Week" by NBC News' **Hallie Jackson**, CBS News' **Nancy Cordes**, WaPo's **Karen Tumulty** and POLITICO's **Michael Crowley** at 8 p.m. on PBS.

**SPORTS BLINK -- "Aly Raisman Sues US Olympic Committee, USA Gymnastics,"** by Sports Illustrated's Scooby Axson: "Olympic gold medalist Aly Raisman sued the United States Olympic Committee and USA Gymnastics, saying both organizations knew that former team doctor Larry Nassar sexually abused her and other gymnasts.

**"The lawsuit says that Nassar**, who also worked for Michigan State, sexually abused Raisman at the Karolyi Ranch National Training Center in Texas, at many competitions and during the 2012 Summer Olympics in London. 'My highest priority has been to push for change, so future generations of athletes will be safer,' Raisman said in a statement." <http://on.si.com/2F8WInm>

**TRANSITIONS --** The Atlantic Council named **Klara Jordan** as the director of their cyber statecraft initiative in its Scowcroft Center for Strategy and Security. She previously worked for Orly Yaniv Strategies. ... Dezenhall Resources named **Steven Schlein**, **Maya Shackley**, **Josh Culling** and **Anne Marie Malecha** as new partners at the firm.

\*\*\*\*\* **A message from the Coalition for Affordable Prescription Drugs: Medicare Part D is working for seniors** An important part of the program's success comes from preferred pharmacy networks that promote quality and lower drug prices. Preferred pharmacy plans keep premiums low and are the most popular choice for seniors enrolled in Part D. But now, CMS is considering changes that would prevent seniors from choosing plans with preferred pharmacy networks. Tell CMS to stop proposed changes to Medicare Part D that would disrupt preferred pharmacy networks and hurt millions of seniors. [Learn more.](#) \*\*\*\*\*

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**From:** Anna Palmer Jake Sherman Daniel Lippman <politicoplaybook@politico.com>

**Sent:** Monday, March 19, 2018 12:46 PM EDT

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Playbook Power Briefing, presented by UnitedHealth Group: House to vote on yet-unrevealed omnibus bill on Wednesday, Senate to follow

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Today's Playbook Power Briefing presented by UnitedHealth Group

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**BURGESS EVERETT** with an omnibus update: "The White House and congressional Democrats traded immigration offers futilely over the weekend, according to three sources familiar with the talks, leaving little chance of an immediate deal to protect Dreamers.

**"The White House on Sunday made an 11th-hour push to include billions** of dollars in border wall funding in a massive congressional spending bill due this week, but clashed with congressional Democrats over how far to go in protecting young immigrants that face deportation, the sources said.

**"White House officials asked Democrats to approve \$25 billion** for President Donald Trump's border wall in exchange for extending the Deferred Action for Childhood Arrivals program through fall of 2020, those sources said. That would give Trump his full wall funding request in the must-pass spending bill and still give him leverage over the DACA program heading into his 2020 reelection campaign.

**"But Democrats balked, demanding instead** that the White House provide a pathway to citizenship to 1.8 million young immigrants eligible under the DACA program, those sources said." <http://politi.co/2u1E2or>

-- **THIS SEEMS** like a simple transaction: some border money, for a DACA fix. Why can't they get this done?

**ALSO (PROBABLY) NOT IN THE BILL -- "Deal to curb sexual harassment unlikely to be in spending bill,"** by Elana Schor and Heather Caygle: "A bipartisan, bicameral agreement to overhaul Capitol Hill's oft-criticized workplace misconduct system is unlikely to get attached to a government spending bill that must pass by week's end to avoid a shutdown, according to multiple sources tracking the issue.

**"The sudden shift in the fate of the Hill harassment measure,** which negotiators were closing in on as recently as last week, jeopardizes its chances of getting signed into law by President Donald Trump." <http://politi.co/2HIOpQf>

**Good Monday afternoon. ELIANA JOHNSON and ANDREW RESTUCCIA SCOOP ... "Kelly to tap Kushner ally Chris Liddell as deputy chief for policy":** "White House chief of staff John Kelly will tap Chris Liddell, a senior White House aide and former executive at Microsoft and General Motors, as his deputy, according to two people familiar with the decision.

**"Liddell, who currently serves** as the White House's director of strategic initiatives, will be named deputy chief of staff for policy, the people said, filling out Kelly's bare-bones team." <http://politi.co/2HN8MeS>

**HAPPENING THIS EVENING ... HOUSE REPUBLICANS** hold a closed party meeting at 5:45 p.m. to discuss the \$1.3 trillion omnibus spending bill. The House will vote Wednesday, and then the Senate will take it up.

-- **REPUBLICANS AND DEMOCRATS** always say they'll govern differently than the party in power. They never do. Rank-and-file lawmakers have no idea what's in this massive bill and will have just a few days to read it before voting on it.

**HAPPENING THIS WEEK ... NRCC'S MARCH DINNER....** The GOP's annual dinner -- and their main fundraising event -- is tomorrow night. **PRESIDENT DONALD TRUMP** is the speaker at the dinner, which will be held at the National Building Museum. But Republican donors have a whole week of events.

**THE SCHEDULE -- TONIGHT:** The NRCC "dine around" at the Willard Intercontinental.

-- **TOMORROW:** The NRCC has several panels at the Willard. From 2-2:45 p.m., NRCC comms guru Matt Gorman hosts a panel of three candidates: Arizona's Lea Marquez Peterson, Washington State's Dino Rossi and Pete Stauber, a candidate in Minnesota. Jo Marie St. Martin, a former longtime Boehner staffer, and Mike Sommers, Boehner's former chief of staff, will talk about "legislating in an election year" from 3-3:45 p.m. The after party is at the Hamilton. **Check out the full schedule** <http://politi.co/2HL8xkx>

**NEWS ...** A source tells us **THE NRCC** is going to break last year's record-setting \$30 million haul.

\*\*\*\*\* **A message from UnitedHealth Group: Better understand the state-by-state health of women and children** A new report from America's Health Rankings® identifies areas of success as well as challenges for the health of women, infants and children. Where does your state rank? Find out [here](#). \*\*\*\*\*

**STILL ON THE INVESTIGATION -- @realDonaldTrump** at 9:07 a.m.: "A total WITCH HUNT with massive conflicts of interest!"

**VERY SCARY ... AUSTIN AMERICAN STATESMAN:** "If police confirm that Sunday night's bomb in Southwest Austin was triggered by a trip wire, the device would be "showing a different level of skill above what we were already concerned that this suspect or suspects may possess," interim Police Chief Brian Manley said Monday.

"In an interview with **David Muir on ABC's 'Good Morning America,'** Manley urged the public to provide any tip, 'however inconsequential you think it is, that may be the one piece of evidence that we need.' Investigators are more certain Monday morning that the explosive device that detonated in Southwest Austin was activated by a trip wire made to blend in with surroundings, a law enforcement official told the American-Statesman." <https://atxne.ws/2pnyzmD>

**KUSHNER INC. -- "Kushner Companies confirms meeting with Qatar on financing,"** by WaPo's Michael Kranish and Karen DeYoung: "Jared Kushner's father met with Qatar's finance minister three months after President Trump's inauguration, a New York City session at which funding for a financially troubled real estate project was discussed, the company acknowledged Sunday.

"However, **Charles Kushner said he turned down possible funding** to avoid questions of a conflict of interest for his son, who had run the family company until he became Trump's senior adviser. The elder Kushner said that the Qataris had asked for the meeting, and that he told them he couldn't accept sovereign funds.

"I was invited to a meeting," he said in a statement to The Washington Post. 'Before the meeting, Kushner Companies had decided that it was not going to accept sovereign wealth fund investments. We informed the Qatar representatives of our decision and they agreed. Even if they were there ready to wire the money, we would not have taken it.'" <http://wapo.st/2ID5Jav>

-- **"Trump Organization's real estate partner in India accused of \$147 million fraud,"** by WaPo's Annie Gowen <http://wapo.st/2HKoZBG>

**TX-7 REDUX? -- "Democrats consider attacking their own California candidates to win back Congress,"** by the Sacramento Bee's Emily Cadei: "Facing the risk that the party could get shut out of the general election race for one or more competitive Republican-held seats, liberal groups formed to attack Republicans now say they are at least considering spending money to support particular Democratic candidates in the primaries. National Democratic officials say all options are on the table in the lead-up to June -- including launching negative attacks on members of their own party, a tactic that stirred controversy in the Texas primary." <http://bit.ly/2uo39YX>

**VALLEY TALK -- "Europe's Planned Digital Tax Heightens Tensions With U.S.,"** by NYT's Alan Rappeport, Milan Schreuer, Jim Tankersley and Natasha Singer: "A global attempt to prevent large, multinational companies from shifting their profits to lower-tax jurisdictions is setting off a fight between the United States and Europe, as policymakers on both sides of the Atlantic spar over efforts to impose new taxes on foreign firms.

"On Wednesday, the **European Commission is expected** to take aim at Silicon Valley's tech giants with a proposal to seriously revamp of how technology companies are taxed in the 28-nation European Union. The plan, outlined in a draft obtained by The New York Times, would tax digital media companies based on where they generate revenue, rather than

where they have their regional headquarters, which are often in countries like Ireland and Luxembourg that have lower tax rates." <http://nyti.ms/2tZfDjv>

**PLAYBOOK METRO SECTION -- "D.C. lawmaker says recent snowfall caused by 'Rothschilds controlling the climate',"** by WaPo's Peter Jamison and Valerie Strauss <http://wapo.st/2HKIo6Z>

-- **"The Secret Behind Forecasting When DC's Cherry Blossoms Will Hit Peak Bloom,"** by Washingtonian's Hayley Garrison Phillips <http://bit.ly/2FVHMcZ>

**MEDIAWATCH -- WaPo's MARGARET SULLIVAN: "Middle East civilian deaths have soared under Trump. And the media mostly shrug":** "The numbers are shocking -- or at least they should be. 2017 was the deadliest year for civilian casualties in Iraq and Syria, with as many as 6,000 people killed in strikes conducted by the U.S.-led coalition, according to the watchdog group Airwars. ... But the subject, considered a stain on President Barack Obama's legacy even by many of his supporters, has almost dropped off the map." <http://wapo.st/2IwATQN>

-- **"Behind AFP's Syria coverage"** <http://bit.ly/2GJg3oi>

-- **"Michael Ferro retiring as chair of Chicago Tribune parent,"** from Crain's Chicago: "Michael Ferro is retiring as chairman of Tronc, which owns the Chicago Tribune. Tronc CEO Justin Dearborn has been named chairman, the company said in a statement this morning." <http://bit.ly/2HN4Uum>

-- **Nancy Benac** was named the new White House news editor at the AP. She has worked for the AP for more than 35 years.

**TRANSITIONS -- Julia Watts** started today as principal, mobilization and campaign movement at Precision Strategies. She was previously associate director of policy and campaigns at the American Sustainable Business Council. ... **Geoffrey Kabaservice**, a historian and author, joined the Niskanen Center as director of political studies. ...

... **Michael McRaith** joined Blackstone as managing director for the firm's insurance unit. He was director of the federal insurance office at the Treasury Department during the Obama administration. ... **Christine Heenan** will join the Rockefeller Foundation as vice president for policy, partnerships and communications. She is the founder and president of the Clarendon Group.

**WEEKEND WEDDINGS -- Robin Bronk**, CEO of the Creative Coalition and former VP at APCO Worldwide, married **Dr. Richard L. Schechtman**, an orthodontist in the Westchester area, at Beth El Synagogue Center in New Rochelle, New York, the bride's home city. Pool report: "Rabbi David Schuck and the bride's cousin Jane Bronk Gorman officiated the ceremony that opened with the bridal party dancing down the aisle to Natalie Cole's, 'This Will Be.'" **Pic** <http://bit.ly/2pox3Br> ... <http://bit.ly/2FUD3Im> ... <http://bit.ly/2HMgfLi>

**SPOTTED:** actor Tim Daly who led off the wedding toasts, Dr. Susan Blumenthal, Heather Podesta, actors Evan Handler, Rob Morrow and Richard Kind, John Jacobs Margery Kraus, Phillip Bloch, Kimball Stroud, Edward Tricomi, Kathy Roth-Douquet and Mark Bucher.

-- **Max Pomeranc** married **Anna Frenkel** Saturday before more than 150 friends and family members at Brooklyn Botanical Garden. Pool report: "The couple first met while working together at Airbnb. The groom, a graduate of McGill University, is the regional head of public policy for the company, and the bride, an NYU alumnus, was Airbnb's first marketing hire for New York City" and is currently brand marketing manager. Pomeranc, a former child actor, also worked as deputy chief of staff for former Rep. Anthony Weiner (D-N.Y.). **Pic** <http://bit.ly/2HIYUms>

\*\*\*\*\* **A message from UnitedHealth Group: Learn about the health of the nation, state-by-state.** United Health Foundation, through America's Health Rankings, helps policy-makers, public health officials, researchers and communities improve health, well-being and health care at the local, state and federal levels by offering timely insights about the health of the people they serve. By leveraging the broad suite of America's Health Rankings® data and insights, communities can craft data-driven solutions to some of the nation's most pressing health concerns. [Learn more.](#) \*\*\*\*\*

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**Sent:** Thursday, May 17, 2018 1:04 PM EDT

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Playbook Power Briefing, presented by Delta Air Lines: Ryan wants immigration deal to win over 'vast majority' of Republicans and some Dems

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**KUSHNER INC. -- "Kushners Near Deal With Qatar-Linked Company for Troubled Tower,"** by NYT's Charles Bagli: "The company controlled by the family of the White House adviser Jared Kushner is close to receiving a bailout of its financially troubled flagship building by a company with ties to the government of Qatar, according to executives briefed on the deal.

**"Charles Kushner, head of the Kushner Companies,** is in advanced talks with Brookfield Properties over a partnership to take control of the 41-story aluminum-clad tower 666 Fifth Avenue in Midtown, according to two real estate executives who have been briefed on the pending deal but are not authorized to discuss it. Brookfield is a publicly traded company, headquartered in Canada, one of whose major investors is the Qatar Investment Authority." <https://nyti.ms/2rRZbx9>

**AN ALL-HOUSE ELECTION SECURITY BRIEFING** for tonight with the FBI director, Homeland Security secretary and DNI has been postponed for next week. The speaker's office cited scheduling issues.

**THIS MORNING ... SPEAKER PAUL RYAN** said Bob Mueller should be able to finish his job, but he'd like to see him wrap up. ... **ON IMMIGRATION: CNN'S PHIL MATTINGLY** asked Ryan if there was a bill that could get to the White House and get President Donald Trump's signature. **RYAN** said: "Not with 218 [Republicans]. So the question is, could we have a bill that has a vast majority of Republicans that some Democrats would support. What's the combination?"

**WE THINK** that's going to be really, really tough, since Ryan also said the president hasn't shifted his view on immigration policy.

**KYLE KONDIK: "The Democrats' Drive for 25 in the House: An Update"** <http://bit.ly/2IK5AFj>

**Good Thursday afternoon. HAPPY ANNIVERSARY? -- @realDonaldTrump** at 7:28 a.m.: "Congratulations America, we are now into the second year of the greatest Witch Hunt in American History...and there is still No Collusion and No Obstruction. The only Collusion was that done by Democrats who were unable to win an Election despite the spending of far more money!"

**... at 7:56 a.m.:** "Wow, word seems to be coming out that the Obama FBI 'SPIED ON THE TRUMP CAMPAIGN WITH AN IMBEDDED INFORMANT.' Andrew McCarthy says, 'There's probably no doubt that they had at least one confidential informant in the campaign.' If so, this is bigger than Watergate!"

**... at 9:52 a.m.:** "Despite the disgusting, illegal and unwarranted Witch Hunt, we have had the most successful first 17 month Administration in U.S. history - by far! Sorry to the Fake News Media and 'Haters,' but that's the way it is!"

**ATTN. CORY GARDNER -- "Independent voters hold more positive view of Bredesen than Blackburn, new poll finds,"** by the Tennessean's Joel Ebert: "Independent voters in Tennessee have a significantly more positive view of former Democratic Gov. Phil Bredesen than Republican U.S. Rep. Marsha Blackburn, a new poll [from Vanderbilt University] shows, as the race to replace U.S. Sen. Bob Corker continues to heat up.

**"Further, a majority of Republicans even say they have a favorable** view of Bredesen. ... The poll, released Thursday, found 69 percent of independent respondents had a favorable view of Bredesen. Just 44 percent of independents had a positive view of Blackburn." <https://tnne.ws/2GtdgGu>

**(NO) MEETING PREP -- "President Trump 'Doesn't Think He Needs' to Prepare Much for His Meeting With North Korea's Kim Jong Un,"** by Time's Brian Bennett and Tessa Berenson: "With just one month until a scheduled sit-down with North Korea's leader, President Donald Trump hasn't set aside much time to prepare for meeting with Kim Jong Un, a stark contrast to the approach of past presidents.

**"He doesn't think he needs to,"** said a senior administration official familiar with the President's preparation. Aides plan to squeeze in time for Trump to learn more about Kim's psychology and strategize on ways to respond to offers Kim may make in person, but so far a detailed plan hasn't been laid out for getting Trump ready for the summit. ...

**"Another White House official told TIME** 'there is a robust, whole-of-government effort underway to prepare for President Trump's upcoming meeting,' but declined to elaborate on internal discussions or preparations beyond that statement." <https://ti.me/2GsjiUR>

\*\*\*\*\* **A message from Delta Air Lines:** At Delta, we're committed to donating 1% of our net profits to charitable organizations around the world. Delta contributed over \$40 million to charities and nonprofits in 2017, and we look forward to continuing our support for years to come. For more information about Delta, visit [www.delta.com](http://www.delta.com). \*\*\*\*\*

**ON THE WORLD STAGE -- "North Korea's Sudden Shift Puts South's Leader on the Spot,"** by NYT's Choe Sang-Hun in Seoul: "For [South Korean President Moon Jae-in], the North's reversal brought home the difficulties in playing matchmaker between his country's most fearsome foe and its most important ally, both countries run by an impulsive and often unpredictable leader.

**"It shows the extraordinarily difficult challenge** that Mr. Moon confronts. He faces skepticism from both Pyongyang and Washington that he can be an honest broker. North Korea still considers South Korea an American stooge. In the United States, conservatives who have the president's ear worry that progressive South Korean leaders like Mr. Moon will ease sanctions, breaking ranks with Washington in their eagerness to reconcile with the North." <https://nyti.ms/2rNeacy>

**WAR REPORT -- "U.S. Has Spent \$2.8 Trillion on Terrorism Fight, Study Finds,"** by WSJ's Jessica Donati: "The U.S. has spent as much as \$2.8 trillion on the fight against terrorism since the Sept. 11, 2001, terrorist attacks, according to a study published Wednesday.

**"The report from the Washington-based Stimson Center** think tank said the figure included spending on the wars in Afghanistan, Iraq and Syria, in addition to homeland-security efforts and overseas programs. Spending on counterterrorism reached a peak of \$260 billion in 2008, accounting for more than a fifth of the government's discretionary budget." <https://on.wsj.com/2GqK6Io>

**MEDIAWATCH -- "Suzanne Scott Named CEO of Fox News,"** by Variety's Brian Steinberg: "Veteran programming executive Suzanne Scott was named chief executive of the Fox News unit of 21st Century Fox, part of the continuing reorganization of the company as it prepares to sell the bulk of its assets to Walt Disney Co.

**"She will report to Lachlan Murdoch and Rupert Murdoch,** who will lead the recalibrated company. Fox News will perhaps be the largest financial contributor to the parent corporation. Fox News said Jay Wallace would serve as president of the Fox News unit, as well as executive editor." <http://bit.ly/2rPfhbP>

**PLAYBOOK METRO SECTION -- @MayorBowser:** "Qatar and the @DowntownDCBID teamed up years ago to deliver City Center DC. Today, they're doing it again to deliver late night Metro service to Caps fans. Beat the rain and Lightning, take Metro and let's #GoCaps! @Amb\_AlThani @QatarEmbassyUSA #ALLCAPS"

**SPOTTED:** Rep. Seth Moulton (D-Mass.) having dinner last night at the Jefferson Hotel with Rep. Conor Lamb (D-Pa.) ... Boris Epshteyn speaking with Rudy Giuliani this morning at 1100 Wilson Boulevard in Rosslyn -- he interviewed him for the Sinclair daily segment, "Bottom Line with Boris" - **pic** <http://bit.ly/2IO26BC>

**OUT AND ABOUT -- SPOTTED** at ASCAP's "We Write The Songs" event at the Library of Congress last night: Sens. Lamar Alexander (R-Tenn.), Dean Heller (R-Nev.), Mike Enzi (R-Wyo.), Pat Roberts (R-Kan.), Tim Kaine (D-Va.) -- who played harmonica on stage with Jason Mraz (**pic** <http://bit.ly/2rPTWOI>) -- and Rand Paul (R-Ky.), House Majority Leader Kevin McCarthy, House Minority Leader Nancy Pelosi, Reps. Joe Crowley (D-N.Y.), Doug Collins (R-Ga.) and Ted Lieu (D-Calif.), Carla Hayden, Paul Williams, Beth Matthews, David Israelite, Joe Keeley, Tyler Grimm, Shannon Sorenson, Brendan Belair, Jennifer Lackey, Mike Love of The Beach Boys, Michael McDonald of The Doobie Brothers and

FHFA-19-0753-A-000364

Brandy Clark.

**TRANSITIONS -- Matt Kellogg** joined HSBC as SVP of public affairs. He was most recently deputy assistant secretary at the Department of the Treasury. ... **Tom Szold, Charlie Szold** and **Shawn McCoy** have started a private equity firm called Blue Zone Partners, which closed on its first deal late last week. Tom Szold is an alum of the Carly campaign while brother Charlie is a David Young alum and has also served as comms director for the Republican Party of Iowa. McCoy was Iowa comms director for the Romney 2012 campaign and is president and publisher of InsideSources.

**HAPPY 38th ANNIVERSARY** to Sen. John McCain (R-Ariz.) and Cindy McCain.

**BONUS BIRTHDAY OF THE DAY: Phillip Stutts**, CEO of Go BIG Media and author of "Fire Them Now". **How he got his start in politics:** "In San Diego working for the Dole/Kemp 1996 Republican National Convention -- recruiting and training volunteers." **Read his Playbook Plus Q&A:** <https://politi.co/2GpusNi>

\*\*\*\*\* **A message from Delta Air Lines:** At Delta Air Lines, we're proud to support the causes that shape our world by giving back to the communities where we live, work, and serve. We're committed to donating 1% of our net profits to key charities and nonprofit organizations as we strive to truly make a difference in D.C. and throughout our global communities.

Our goal is to positively impact the world through continued investments in our current partners as well as contributions to our new partners. Our donations support education, promote health and wellness, and salute our armed service members and veterans.

We contributed over \$40 million in 2017 to charities and nonprofits around the world, and we look forward to continuing our support for many years to come.

For more information about Delta, visit [www.delta.com](http://www.delta.com). \*\*\*\*\*

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**From:** Anna Palmer and Jake Sherman <politicoplaybook@politico.com>

**Sent:** Thursday, March 30, 2017 6:52 AM EDT

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** POLITICO Playbook, presented by the Coalition to Protect America's Health Care: SHUTDOWN CLOCK STARTS -- RYAN: Trump will work with Dems -- IVANKA's new title -- JULIA HAHN profile -- SPICER's favorite word -- KATE BEDINGFIELD and MATT PAUL's new jobs

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## POLITICO PLAYBOOK

Today's PLAYBOOK presented by the Coalition to Protect America's Health Care  
03/30/2017 06:48 AM EDT

By ANNA PALMER ([anna@politico.com](mailto:anna@politico.com); [@apalmerdc](https://twitter.com/apalmerdc)) and JAKE SHERMAN ([sherman@politico.com](mailto:sherman@politico.com); [@JakeSherman](https://twitter.com/JakeSherman)) with DANIEL LIPPMAN ([daniel@politico.com](mailto:daniel@politico.com); [@dlippman](https://twitter.com/dlippman))

# Driving the Day



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**START THE SHUTDOWN CLOCKS** -- The government shuts down one month from today, and there are just eight legislative days left to pass a spending bill. Our sources tell us that Congress plans to deal with avoiding a shutdown the week of April 24 -- meaning they will push it off until the last minute, and give themselves five weekdays to avoid a shutdown. **WHAT CAN GO WRONG?!**

**ABOUT THAT HEALTH BILL ... -- PAUL RYAN** talks to **NORAH O'DONNELL** on this morning's "**CBS THIS MORNING**": "What I worry about, Norah, is that if we don't [pass a GOP health care bill], then [Trump will] just go work with Democrats to try and change Obamacare and that's not -- that's hardly a conservative thing. ... [I]f this Republican Congress allows the perfect to be the enemy of the good, I worry we'll push the president into working with Democrats, he's been suggesting that as much." **ON TRUMP WORKING WITH DEMOCRATS:** "I don't want that to happen. You know why? I want a patient-centered system. I don't want government running health care. The government shouldn't tell you what you must do with your life, with your health care. We should give people choices."

-- **JUST A NOTE:** This is a pretty striking comment. The Republican speaker of the House acknowledges that the Republican president will abandon their party and work with Democrats if the GOP doesn't step up its game soon.

**BREAKING OVERNIGHT -- BAD NEWS FOR TRUMP'S TRAVEL BAN -- AP/HONOLULU** at 3:48 a.m.: "A federal judge in Hawaii who temporarily blocked President Donald Trump's revised travel ban hours before it was set to take effect issued a longer-lasting order Wednesday. U.S. District Judge Derrick Watson held a hearing Wednesday on Hawaii's request to extend his temporary hold. Several hours later, he issued a 24-page order blocking the government from suspending new visas for travelers from six Muslim-majority countries and halting the U.S. refugee program."

"**Hawaii Attorney General Douglas Chin** argued that even though the revised ban has more neutral language, the implied intent is still there. He likened it to a neon sign flashing 'Muslim Ban,' which the government hasn't bothered to turn off. Chad Readler, a Department of Justice attorney defending Trump's executive order, told the judge via telephone that Hawaii hasn't shown how it is harmed by various provisions, including one that would suspend the nation's refugee program. Watson disagreed." <http://apne.ws/2nyt4A8>

**YASHAR ALI** in the Daily Intelligencer on NYMag.com -- "**What George W. Bush Really Thought of Donald Trump's Inauguration**": "Bush gave a brief assessment of Trump's inaugural after leaving the dais: 'That was some weird s\*\*\*.' All three heard him say it. A spokesman for Bush declined to comment." <http://nym.ag/2nj3yNq>

**RUSSIA WATCH -- "Senate steps up as House Russia probe flails,"** by Austin Wright and Martin Matishak: "The House investigation into Russia's election meddling is in shambles. The Senate is more than happy to fill the void. As the House probe continued its collapse into a partisan shouting match Wednesday, Senate Intelligence Chairman Richard Burr and his Democratic counterpart, Mark Warner, stepped into the spotlight to present a stark contrast. Their message? We are the adults in the room." <http://politi.co/2mRZIVG>

-- "**Who is 'Source D'?** The man said to be behind the Trump-Russia dossier's most salacious claim," by WaPo's

Rosalind S. Helderman and Tom Hamburger: <http://wapo.st/2nlZVqU>

--**Kevin Baron (@DefenseBaron)**: ".@FBI Dir. Comey spoke tonight at the intelligence assoc @INSAlliance dinner. And sent a little message..." **The message, per Patrick Tucker (@DefTechPat)**: "Comey on #russiagate investigation: politically, we don't care who 'Is gored by our work. I hope that's reassuring.' so @realDonaldTrump"

**ALL IN THE FAMILY -- NYT A19 "Ivanka Trump, Shifting Plans, Will Become a Federal Employee,"** by Maggie Haberman and Rachel Abrams: "Ivanka Trump, the elder daughter of President Trump, is becoming an official government employee, joining her husband, Jared Kushner, in serving as an unpaid adviser to her father in the White House. The announcement on Wednesday amounts to the formal recognition of the value Mr. Trump places on the judgment and loyalty of both his daughter and his son-in-law. While relying on family members for advice is hardly unusual for a president, giving them a formal role has few precedents. Ms. Trump, 35, will be an assistant to the president; Mr. Kushner, 36, has the title of senior adviser." <http://nyti.ms/2niOhfG>

-- **@BraddJaffy**: "November 13, 2016 Q [on "60 Minutes" from Lesley Stahl] 'People think that you're going to be part of the administration, Ivanka.' Ivanka: 'I'm- no. I'm going to be a daughter.'" <http://bit.ly/2ojTiGo>

-- **"Lara Trump hired by Trump campaign's digital vendor,"** by AP's Julie Bykovic: "The New Yorker, Eric Trump's wife, will serve as a liaison for San Antonio, Texas-based Giles-Parscale to Trump's ongoing campaign, based at Trump Tower in Manhattan. Giles-Parscale President Brad Parscale says she's an 'incredibly talented person with the right experience for us.' Parscale says Lara Trump has a background in marketing and helped on Trump's 2016 political bid." <http://apne.ws/2mRlwdx>

**THE JARED BEAT -- "Kushner Cos. Ends Talks With Chinese Firm for Skyscraper Deal,"** by WSJ's Peter Grant: "Negotiations between New York real-estate developer Kushner Cos. and a large Chinese company over a planned \$7.5 billion tower in Manhattan collapsed amid an outcry over possible conflicts of interest involving the Trump administration. Anbang Insurance Group Co., which has close political and family ties to the Chinese government, began pursuing a possible investment of as much as \$1.25 billion in the project at 666 Fifth Ave. last July, according to people familiar with the discussions. But Anbang began backing away from the deal in recent weeks as it became a lightning rod for critics of the Trump administration who have said President Donald Trump and some of his top advisers haven't taken sufficient steps to avoid possible conflicts between their government roles and their former businesses." <http://on.wsj.com/2oaRQZP>

**U.S. AT WAR -- NYT A1, "U.S. War Footprint Grows in Middle East, With No Endgame in Sight,"** by Ben Hubbard and Michael R. Gordon: "The United States launched more airstrikes in Yemen this month than during all of last year. In Syria, it has airlifted local forces to front-line positions and has been accused of killing civilians in airstrikes. ... Two months after the inauguration of President Trump, indications are mounting that the United States military is deepening its involvement in a string of complex wars in the Middle East that lack clear endgames. Rather than representing any formal new Trump doctrine on military action, however, American officials say that what is happening is a shift in military decision-making that began under President Barack Obama. On display are some of the first indications of how complicated military operations are continuing under a president who has vowed to make the military 'fight to win.'" <http://nyti.ms/2ojN6OH>

-- **@jimsciutto**: "Just in: CENTCOM Commander says #Russia is likely 'providing some kind of support' to the Taliban in Afghanistan"

**HMM -- "Trump Drops Human Rights Demand in Bid to Sell Bahrain F-16 Jets,"** by Bloomberg's Anthony Capaccio: "The U.S. State Department told Congress it backs the sale of 19 Lockheed Martin Corp. F-16 fighters to Bahrain without preconditions on improved human rights previously demanded by the Obama administration, according to two people familiar with the proposal. ... Wednesday's request triggers a roughly three-week informal notification period that will be followed by a formal, publicly released document that Congress has 30 days to approve." <https://bloom.bg/2nCyrQf>

\*\*\*\*\* **A message from the Coalition to Protect America's Health Care:** America's hospitals provide critical, often life-saving care - and other primary and preventative care services - within and outside their four walls. But that hasn't stopped Congress from cutting vital federal funding for patient care. Join us to protect America's hospitals and the vital care they provide to their communities. <http://politi.co/2mZqMIh> \*\*\*\*\*

**BUZZ -- CONWAY CAUSING CONTROVERSY... AGAIN --** Kellyanne Conway received the American Association of Political Consultants MVP award earlier this month, but the award led to a major controversy among both GOP and Democratic members of the organization. Several operatives have voiced concerns that Conway got the prize despite the Trump campaign violating the AAPC's code of ethics, which members sign. **The AAPC code** <http://bit.ly/2nyiTv0>

**One longtime Democratic consultant and AAPC member** told us members were upset over everything from whether she is a current member of the group (but still got the prize) to "questioning her ability and how much say she had in the campaign as well as the ethics of her participation in the campaign." Another Democratic consultant member said "people were angry. It blew up on Facebook" during the conference. "There were people questioning ... whether to go to [AAPC] events in the future." Conway didn't attend the conference but instead sent in a video accepting the award.

**Giving the award to Conway** was a matter of intense debate among AAPC's board but they determined that it was unlikely that the Trump campaign would have been successful without Conway and found no evidence she lied in a substantial way to the press during the campaign or committed other violations. AAPC declined to comment. The White House did not provide comment in time for publication.



**THE NEW REALITY -- "Energy Department climate office bans use of phrase 'climate change,'"** by Eric Wolff: "A supervisor at the Energy Department's international climate office told staff this week not to use the phrases 'climate change,' 'emissions reduction' or 'Paris Agreement' in written memos, briefings or other written communication, sources have told POLITICO. Employees of DOE's Office of International Climate and Clean Energy learned of the ban at a meeting Tuesday, the same day President Donald Trump signed an executive order at EPA headquarters to reverse most of former President Barack Obama's climate regulatory initiatives." <http://politi.co/2nIC8HH>

**BUT, BUT, BUT -- "Apple, Wal-Mart Stick With Climate Pledges Despite Trump's Pivot,"** by Bloomberg's Christopher Flavelle: "Many of America's biggest corporations including Apple Inc. and Wal-Mart Stores Inc. are sticking by their pledges to fight climate change even as President Donald Trump guts his predecessor's environmental policies. ... Anheuser-Busch InBev, the world's largest beer-maker ... announced Tuesday that it would get 100 percent of its electricity from renewable sources by 2025. Nearly 90 companies have made similar pledges ... One of them is Mars Inc., the maker of M&M's. The company committed to eliminating its emissions entirely by 2040." <https://bloom.bg/2oBH0Zt>

**-- Isaac Dove:** "General Electric CEO Jeff Immelt says [in an internal company blog post that] President Donald Trump's imagination is at work if he doesn't believe in climate change science or the Paris agreement that President Barack Obama signed onto before leaving office. And Immelt is calling on other companies to step up to fill the void that the administration is leaving behind." <http://politi.co/2nIA1a>

**-- "Trump EPA declines to ban pesticide that Obama had proposed outlawing,"** by WaPo's Brady Dennis: "The new head of the [EPA] refused Wednesday to ban a commonly used pesticide that the Obama administration had sought to outlaw based on mounting concerns about its risks to human health. The chemical compound chlorpyrifos, also known as Lorsban, has been used by farmers for more than a half-century to kill pests on crops including broccoli, strawberries and citrus. The EPA banned its spraying indoors to combat household bugs more than a decade ago. But only in recent years did the agency seek to ban its use in agriculture, after mounting scientific evidence that prenatal exposure can pose risks to fetal brain and nervous system development. ... Environmental activists were incensed Wednesday, saying that [Scott] Pruitt had ignored substantial evidence of potential harms." <http://wapo.st/2ok3Ntl>

**MAKING AMENDS -- NYT's Mark Landler:** Wednesday was "a day in which the White House reached out to women, and sought to make amends for bruised feelings. At the daily White House news briefing, Sean Spicer, the White House press secretary, called first on April Ryan, the White House correspondent for American Urban Radio Networks. On Tuesday Mr. Spicer had a tense exchange with Ms. Ryan, who is African-American, which culminated with him ordering her to stop shaking her head during one of his answers. 'How are you today?' a solicitous Mr. Spicer asked Ms. Ryan, who said she was fine." <http://nyti.ms/2nOq0Iz>

**WHAT TRUMP LIKES TO TALK ABOUT WITH HIS FRIENDS -- AP's Julie Bykowicz:** "Billionaire Las Vegas casino owner Phil Ruffin has never been to the White House. On Thursday, he'll have dinner there with his friend, Donald Trump. ... Few know Trump as well, or in as many capacities, as Ruffin, who described their friendship in two recent interviews with The Associated Press. They're business partners and social friends who enjoy talking about corporate jets and golf games and business deals their acquaintances have made -- the usual billionaire stuff, Ruffin said." <http://apne.ws/2nIZ6hP>

## THE JUICE ...

**-- THE PLACE TO BE ... THE TRUMP HOTEL:** Commerce Secretary Wilbur Ross, Treasury Secretary Steve Mnuchin, Jason and Kelly Miller, Republican Reps. Mike Gallagher (Wis.) and Mike Fitzpatrick (Pa.) and Eric Peterson were all spotted last night at the Trump Hotel bar. Also on hand: A strong happy hour crew of former HHS Secretary Tommy Thompson alumni, including Bob Wood, Pam Stevens, Kevin Keane, Patty Conrad and Craig Stevens.

**-- KATE BEDINGFIELD**, former deputy assistant to President Barack Obama and communications director for Vice President Joe Biden, is joining Monumental Sports & Entertainment as its vice president of communications. Monumental Sports owns the Wizards, Capitals, Mystics and Verizon Center. Bedingfield will report to founder Ted Leonsis.

**-- NFL TO CAPITOL HILL --** Current and former NFL players Anquan Boldin, Malcolm Jenkins, Johnson Bademosi and Donte Stallworth are back in Washington today to try and build support for their work on criminal justice reform and improving police and community relations. They are slated to meet with several lawmakers, including Sens. Cory Booker (D-N.J.), Sherrod Brown (D-Ohio) and Mike Lee (R-Utah) and Reps. Elijah Cummings (D-Md.) Jason Chaffetz (R-Utah), Trey Gowdy (R-S.C.) and Scott Peters (D-Calif.).

**-- JIM JORDAN**, a veteran Democratic media consultant, is joining California-based SCN Strategies. Jordan will anchor the firm's east coast operations. Founder of the Thunder Road Group, Jordan has worked with GMMB; Shorr, Johnson, Magnus and Purple Strategies over the years.

**-- ALYSSA MASTROMONACO** is a best-selling author. Her memoir of working for Barack Obama -- entitled "Who Thought This Was a Good Idea?: And Other Questions You Should Have Answers to When You Work in the White House" -- will debut at No. 10 on the New York Times bestseller list.

**-- NEWS MEDIA STEPS UP ITS GAME --** The New Media Alliance is pushing back hard against the spread of fake news. The group is engaging in a sustained coordinated campaign running full-page ads in several major newspapers, including the New York Times, USA Today, Wall Street Journal, LA Times, Chicago Tribune, Orlando Sentinel, Miami Herald and many more. Their goal: push readers to trusted original source websites and increase interest and support for investigative

reporting. **The ad** <http://politi.co/2okiGMg>

-- **HOT HILL INTERNSHIP** --The Senate Permanent Subcommittee on Investigations majority staff is seeking unpaid interns to start "immediately." **See the job listing** <http://politi.co/2odXE5d> ... **Apply to** [SenateJobOpenings@gmail.com](mailto:SenateJobOpenings@gmail.com) (h/t Tom Manatos)

**YOU'RE INVITED! -- PLAYBOOK POOL WATCH PARTY** -We'll be gathering Monday night at BlackFinn to watch the game and enjoy some food and drinks. Join us! **RSVP** <http://bit.ly/2nO85sH>

## Playbook Reads



20170330\_Donald\_Trump\_Christie\_700\_PB\_Getty.jpg

**PHOTO DU JOUR:** President Donald Trump jokes with New Jersey Gov. Chris Christie during a meeting in the Roosevelt Room at the White House on March 29. | Nicholas Kamm/AFP/Getty Images

**PLAYBOOK TIME-CAPSULE -- ONE YEAR AGO TODAY** -Playbook's subject line: "TRUMP to PEOPLE: 'I'm ... the highest level of smart' -- 4 hours of sleep - On working out: 'Don't have to. When you're ... making America great again, you get a lot of exercise'" <http://politi.co/1Rykqs3>

**JULIA HAHN PROFILE - "Who is Julia Hahn? The unlikely rise of Steve Bannon's right-hand woman,"** by WaPo's Ben Terris: "She's the most wonderful, brilliant, kind, principled human being I've ever met," [Ann] Coulter said in an email. 'I want her to be president as soon as she's old enough.' ... Friends who partied with her at the Coachella music festival, or decorated gingerbread houses with her at her family's Beverly Hills home, recall a brainy and ambitious young woman who was unfailingly kind. She organized a fundraiser to bring foreign orphans to the United States. She shined in mock trial ... [When she moved to D.C. she] landed a gig with conservative radio host Laura Ingraham. According to three people who worked with her there, it sparked her political evolution: She came into the job holding many liberal views, including on immigration - but she moved quickly to the right as she rose to executive producer of the show." **With cameos from Ryan Williams, Alex Conant and Charles C.W. Cooke** <http://wapo.st/2mRKUB8> ... **Her New Yorker Talk of the Town profile, "Becoming Steve Bannon's Bannon"** <http://bit.ly/2kCBvZl>

**DUNCAN HUNTER SAYS HE'S INNOCENT -- "Hunter: 'I was not involved in any criminal action,'"** by John Bresnahan and Kyle Cheney: "California GOP Rep. Duncan Hunter -- under criminal investigation by the Justice Department over alleged campaign violations -- insists he did nothing wrong. Hunter won't say who is responsible for tens of thousands of dollars in campaign charges for personal expenses, but he says it wasn't him and he's broken no laws. 'I was not involved in any criminal action,' Hunter said in an interview Wednesday. 'Maybe I wasn't attentive enough to my campaign. That's not a crime.'" <http://politi.co/2nmClok>

**FOR YOUR RADAR -- "Years After 9/11 Chaos, U.S. to Build Wireless Network for Police, Firefighters,"** by WSJ's Ryan Knutson and John D. McKinnon: "The Trump administration on Thursday is expected to announce a \$6.5 billion deal with AT&T Inc. to build a nationwide wireless broadband network for first responders, a project that was proposed after the 9/11 terrorist attacks but has struggled to get off the ground. The decision is a major step forward for FirstNet, as the program is called, though it still faces challenges. Some states are unsure whether to join FirstNet or build their own networks, and a politically connected startup that lost out on the contract is encouraging them to opt-out." <http://on.wsj.com/2mS2Vzi>

\*\*\*\*\* **A message from the Coalition to Protect America's Health Care:** The Coalition to Protect America's Health Care was formed to protect access to the best quality health care for all people. Our community of over one million grassroots supporters fight back against congressional and executive action that threatens America's hospitals. When our caregivers, our patients, or our communities are at risk, our supporters speak out and advocate. Join our community and protect access to quality patient care for all. <http://politi.co/2nZNSjR> \*\*\*\*\*

**FUN READ -- "Sean Spicer's kiss of death: 'Phenomenal':** The White House press secretary has a curious habit of deploying the adjective," by Matt Nussbaum: "The health care debacle, the travel ban setback, difficulties with Mexico, a slew of empty positions across the government -- all are symptoms or causes of President Donald Trump's rocky first few weeks in office. They also have another thing in common: White House press secretary Sean Spicer has used the word 'phenomenal' to describe them. To be fair, Spicer has also deployed the term with more auspicious results - including the president's ability to get his message out, to describe Terry Branstad's prospects as ambassador to China and to discuss the Governors Ball. But there's an unmistakable connection between his use of 'phenomenal' and issues that seem to be not going so hot for the White House." <http://politi.co/2nOmzet>

**BEYOND THE BELTWAY -- UPDATE ON THE BATHROOM BILL -- "NC lawmakers, gov reach deal to end 'bathroom bill' standoff,"** by AP's Gary D. Robertson in Raleigh, North Carolina: "North Carolina Republican lawmakers and Democratic Gov. Roy Cooper said late Wednesday that they have agreed on legislation to resolve a standoff over the state's 'bathroom bill' through a replacement measure that still restricts LGBT nondiscrimination protections. GOP leaders

announced the new legislation would be debated and voted on Thursday, but it was unclear whether there were enough House and Senate votes to pass it." <http://apne.ws/2ny6yr5>

**DREAM ON - "A Liberal Fantasy Ripped from a Hollywood Script:**No, Democrats-the 25th Amendment won't save you from Donald Trump," by Jeff Greenfield in Politico Magazine: "The dream burns bright in countless liberal hearts and minds: President Donald Trump embraces one too many fever-swamp conspiracy theories, tweets one too many palpable falsehoods, threatens a nuclear attack on Mexico for not paying for the wall. A terrified Cabinet meets in Vice President Mike Pence's home at the Naval Observatory, and, in a written declaration to the speaker of the House and president pro tempore of the Senate, that the president 'is unable to discharge the powers and duties of his office.' And just like that, Trump is dispatched to Trump Tower, or Mar-a-Lago, and Pence becomes acting president of the United States. Right? Yes -- assuming it's a movie or a TV series or a Netflix or Amazon offering." <http://politi.co/2odnF4G>

**HOLLYWOODLAND -- "\$3-million real estate deal with Paul Manafort's son-in-law goes south for Dustin Hoffman and son,"** by L.A. Times' Daniel Miller: "It is the most famous street in one of Los Angeles' most coveted neighborhoods. High up in the hills above the Sunset Strip, Blue Jay Way is home to several A-list celebrities who enjoy panoramic views from glassy estates that can cost \$10 million or more. But a property on Blue Jay Way is now at the center of legal proceedings involving actor Dustin Hoffman and Jeffrey Yohai, a real estate developer who is the son-in-law of Paul Manafort, the former chairman of Donald Trump's presidential campaign." <http://lat.ms/2niWGQ9>

**-- "PwC wins reprieve for role at Oscars after award mix-up** Controls over firm's part in ceremony process to be tightened," by FT's Jennifer Thompson in London: "PwC has managed to save its position overseeing the prizegiving at the Oscars ceremony, following a humiliating blunder by two employees last month that led to the wrong film being declared Best Picture. ... On Wednesday the body said that it would retain the services of PwC, which has overseen Oscar voting for 83 years, but with different employees and a ban on the use of electronic devices backstage.

**"In a message to Academy members** following a board meeting on Wednesday, president Cheryl Boone Isaacs said they had been 'unsparing in our assessment that the mistake made by representatives of the firm was unacceptable'. Ms Boone Isaacs said: 'From the night of the ceremony through today, PwC has taken full responsibility for the mistake. 'After a thorough review, including an extensive presentation of revised protocols and ambitious controls, the board has decided to continue working with PwC.' She said Tim Ryan, PwC US chairman, would now take a 'greater oversight role' at future ceremonies." <http://on.ft.com/2nCGRas>

**MEDIAWATCH -- YA CAN'T MAKE IT UP -- "IJR hires Mediaite's controversial managing editor 'Jon Nicosia,'** by Peter Sterne: Nicosia will be "managing editor of content ... He was most recently the managing editor of Mediaite. Nicosia is a colorful and controversial figure. As POLITICO first reported in 2014, his real name is Zachary Hildreth and he was convicted in 1989 of larceny and bank fraud and in 2002. Following two stints in prison, he began uploading clips from cable news shows onto YouTube and eventually caught the attention of Mediaite founder Dan Abrams. Nicosia began contributing to Mediaite in 2010 and was promoted to managing editor in 2013. ... During his time at Mediaite, he misrepresented himself to many of his colleagues, lying about his real name and background by describing himself as a trauma surgeon who worked in the Washington area. His former co-workers recalled in 2014 that he would often offer medical advice, and once agreed to let a colleague spend the night at his residence in Washington - only to cancel at the last minute. In fact, he has no medical degree and is based in Massachusetts. Despite his controversial background and the lies he told his colleagues, former Mediaite staffers said that he always seemed polite and hard-working." <http://politi.co/2nyjVY7>

**-- "Conservative Publisher Rumored To Pick Up Milo Yiannopoulos Book,"** by BuzzFeed's Steven Perlberg: "Regnery Publishing -- the conservative imprint that has released books from right-wing authors like Dinesh D'Souza and Laura Ingraham -- is rumored to be in talks to publish Yiannopoulos's upcoming book after it was scrapped by publishing powerhouse Simon & Schuster, according to two people familiar with the matter. 'They'd be mad not to, wouldn't they?' Yiannopoulos told BuzzFeed News in an email. 'You won't embarrass yourselves by running it,' he added." <http://bzfd.it/2nxXsdl>

**HOT VIDEO - "Auschwitz Survivor Confronts ICE Director: 'History Is Not On Your Side'"**- HuffPost: <http://huff.to/2nCqb2Q>

## Playbookers



**SPOTTED:** Sens. Chuck Schumer (D-N.Y.), Claire McCaskill (D-Mo.), Michael Bennet (D-Colo.) and Mark Warner (D-Va.) at Le Diplomate last night with Schumer's Capitol Police detail prominent ... former DHS Secretary Jeh Johnson with former DHS personnel for a mini reunion at the Grill Room at the Rosewood Hotel in Georgetown on Wednesday evening. ... Sens. Mike Lee (R-Utah) and Ted Cruz (R-Texas) with Cruz chief of staff David Polyansky and WPA's Chris Wilson and Brian Phillips splitting desserts at Capital Grille.

**TRANSITIONS** - Cornerstone Government Affairs has hired **Matt Paul** as senior vice president for public affairs and **Jimmy Centers** as VP of strategic communications. Paul most recently was as chief of staff to Tim Kaine during the Clinton campaign. He also was Clinton's Iowa State Director during the caucuses. Centers was press secretary and  
FHFA-19-0753-A-000370

communications director for Iowa Gov. Terry Branstad and Lt. Gov. Kim Reynolds. <http://bit.ly/2nlCLAY>

-- **Erin Wilson** is joining Sen. Bob Casey's (D-Pa.) as state director. She most recently served as deputy state director for the Clinton Campaign in Pennsylvania and is a DNC alum. ... **End Citizens United** has hired **Dorothy Scheeline** as research director and **Anne Feldman** as press secretary. Scheeline served as a senior research associate at the DSCC during the 2016 election cycle. Feldman was press secretary for Jason Kander's 2016 Senate campaign.

-- **Stephenie Foster, Shari Bryan, and Susan Markham** have started Smash Strategies, a woman-owned firm dedicated to working on global issues related to women and girls. Foster was previously at the State Department, Bryan was most recently at the National Democratic Institute and Markham just left her position at USAID. <http://bit.ly/2nlOobe>

**OBAMA ALUMNI** -- **Ira N. Forman**, former State Department special envoy to monitor and combat anti-Semitism, will be joining Georgetown University's Walsh School of Foreign Service's Center for Jewish Civilization as distinguished visiting professor in anti-Semitism in the fall of 2017. <http://bit.ly/2odwM5w>

**SUNDAY SO FAR - "Fox News Sunday"**: Panel: Laura Ingraham, Julie Pace, Gillian Turner, Jerry Seib

**BIRTHWEEK (was yesterday)**: Chris Georgia, partner for digital at FP1 Strategies (hat tips: Daria Grastara and Kevin Zambrano, his Jeb family)

**BIRTHDAY OF THE DAY**: former Alaska Sen. **Mark Begich**, founder of consulting firm Northern Compass Group - he's celebrating in Anchorage this weekend with Deborah and Jacob. "I am hoping Jacob will cook me breakfast..." -- read his Playbook Plus Q&A: <http://politi.co/2niXJQ6>

**BIRTHDAYS**: Piers Morgan is 52 ... Drew Maloney, assistant secretary of Treasury for legislative affairs and a Hess alum ... Kevin J. Dowling, the pride-of the Bronx and LD for Rep. Lee Zeldin ... Tracey Schmitt Lintott, a Bush 43 WH and McCain campaign alum now SVP of global public affairs at Emergent BioSolutions ... Mark Pfeifle, the pride of Wishek, N.D., a former Bush and NSC national security messaging machine and founder and president of PR and crisis comms firm Off The Record Strategies - he's celebrating with a happy hour tonight at the Hay Adams' Off The Record, of course (h/t James Davis) ... Casey Higgins, an Appleton, Wis., native, assistant to Speaker Ryan for policy and trade counsel, is 31 ... writer Suzy Khimm ... Joe Kildea, senior director of media relations at the Aircraft Owners and Pilots Association, and a "student pilot, hunter, sailor, Hoya," per his Twitter ... Rep. Gerald E. Connolly (D-Va.) is 67 ... Rep. Janice Hahn (D-Calif.) is 65 ... former Rep. Patrick Murphy (D-Fla.) is 34 ... BuzzFeed's John Hudson, a Foreign Policy alum ... Morning Consult co-founder and CEO Michael Ramlet ... Randee Ullsh Gilmore, a Ogilvy Washington alum now marketing communications manager at Snagajob (h/t Stephanie Benedict) ... NBC News' Bradleigh Chance ... Kivvit's Zach Silber ... Bob Blancato is 66 ... Politico's Sandhya Raman and Jerry Blount ... Paul Hoffman, CEO at Liberty Science Center ... former Sen. Bob Smith (R-N.H.) is 76 ... Gabriela Schneider, chief comms officer at Issue One (h/t William Gray) ... Jamiyl Peters, LA for Rep. Donald M. Payne, Jr. (D-NJ) and the "Son of the Tenth" (h/t Michael Burns) ... Marc Gonzales, proud Gene Green alum now VP for govt. affairs at USTelecom (h/t Randy White) ...

... **Jessica Schulberg**, HuffPost foreign affairs reporter and the pride of San Diego ... Politico alum Michael Stockert, now at Blackboard ... Lisa Horowitz ... David Greer, VP for media and consumer comms. at the National Association of Realtors ... Scott Rasmussen ... Michael Szeto ... Dr. Robert Fishman, former director of GW Hillel ... Peter Rasmussen, alum of the U.S. Mint and Business Forward now getting his MBA at UMichigan ... Peter La Fountain, DNC alum now an LA for Rep. Jim Langevin ... Jeremy Sturchio, USTR alum now senior director for global gov't relations at Visa ... Susan Tyler Hitchcock, senior editor for books at NatGeo ... Alex Kingsbury, deputy ideas editor at Boston Globe and a WBUR alum ... James Pollock ... Danielle Simonetta Maurer, Boehner alum now at Fierce Government Relations ... Mark Strand, Jim Talent alum now president of the Congressional Institute and adjunct professor of legislative affairs at GWU ... Jill Hanauer, founder of Project New America, celebrating with her wonderful children in Denver ... Gail Stoltz, the pride of all of Montana ... Mark Daley, co-president of Proper/Daley - a social impact agency out of California ... Susan Lagana ... Michael Adler (h/ts Teresa Vilmain) ... Gerrard Williams is 58 ... Matt Laslo is 34 ... Chris Berardini ... Sue Robinson ... Terry Babcock-Lumish ... Charles Lee ... country singer Justin Moore is 33 ... country singer Thomas Rhett is 27 (h/ts Kurt Bardella) ... Warren Beatty is 8-0 ... Eric Clapton is 72 ... MC Hammer is 54 ... Celine Dion is 49 ... Norah Jones is 38 (h/ts AP)

\*\*\*\*\* **A message from the Coalition to Protect America's Health Care**: America's hospitals are under near-constant threat of federal cuts to patient care. These cuts make it harder for hospital staff to do their jobs, prevent hospitals from getting beyond their four walls to better serve those who rely on them, and increase wait times and reduced access to medical technologies. We can't afford any more cuts to patient care. Stand up for your hospital and protects access to the best quality health care for all people. Join the Coalition to Protect America's Health Care today. <http://politi.co/2nZHxom>

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**Subject:** PRO FINANCIAL SERVICES REPORT: Friday, April 13, 2018

## TOP NEWS

[Wells Fargo CEO suggests more problems could come to light](#)

By Victoria Guida

Wells Fargo CEO Tim Sloan said today he is not ready to say there will be no more announcements of problems at the bank, suggesting there are still more that could be coming. "We've certainly had a thorough look in every nook and cranny in the company, and we're contin...

## MORE FINANCIAL SERVICES NEWS

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For full coverage of financial services news: [politicopro.com/financialservices](https://politicopro.com/financialservices)

### Wells Fargo CEO suggests more problems could come to light([back](#))

By Victoria Guida

Wells Fargo CEO Tim Sloan said today he is not ready to say there will be no more announcements of problems at the bank, suggesting there are still more that could be coming.

"We've certainly had a thorough look in every nook and cranny in the company, and we're continuing on that process," Sloan told investors on a call on the bank's quarterly earnings.

"One of the lessons learned for us candidly over the last few years is we should've been doing a better job of that" when things were going well for the bank, he said.

"In terms of declaring victory and walking ahead, we're not at that spot right now," he added. "I think we're going to know that when we look in the rearview mirror six to 12 months after it happens."

But he said the bank is "very far along in the journey" and has made "tremendous progress."

Sloan's comments come as Wells announced that the CFPB and the Office of the Comptroller of the Currency have proposed fining the bank \$1 billion for customer abuses in mortgage lending and auto insurance.

Additionally, the former head of Wells Fargo's foreign-exchange trading group on Thursday [sued the bank](#) for wrongful termination, alleging he had faced retaliation for trying to alert managers to abusive sales practices.

To view online [click here](#).

### Citigroup and Apollo defend Kushner family loans([back](#))

By Lorraine Woellert

Jared Kushner's family business ties to Citigroup and Apollo Global Management are more extensive than initially reported, Democratic lawmakers said on Friday.

Kushner Companies is more than \$600 million in debt to Citi and owes Apollo more than \$250 million, the lawmakers said, releasing letters from the two companies. The loans were originated around the time Kushner was named a senior adviser to President Donald Trump, his father-in-law.

In [letters](#) to the companies on Friday, lawmakers asked for more detail on the companies' financial ties to Kushner. The letters were signed by Democratic Sens. [Elizabeth Warren](#) of Massachusetts, [Tom Carper](#) of Delaware, and [Gary Peters](#) of Michigan, and Rep. [Elijah Cummings](#) of Maryland, ranking member of the House Oversight and Government Reform Committee.

In March 20 letters to the lawmakers, Citi and Apollo pushed back on the narrative that Kushner's family business had received financing after Kushner met at the White House with top executives from the companies, a story first reported by The New York Times.

Kushner sat down with Citi's chief executive, Michael Corbat, on March 3, 2017, at Corbat's request. The purpose of the meeting was to discuss trade policy, "given Mr. Kushner's leadership role in the NAFTA negotiations," Citi wrote in a letter to lawmakers.

"The Kushner family has been a client of Citi for decades," and a March 31, 2017, loan to the family was "completely appropriate," Citi's general counsel, Rohan Weerasinghe, [wrote](#).

Kushner also met several times last year with Apollo co-founder Joshua Harris just months before Kushner Companies closed on a \$184 million loan with Apollo.

"Josh Harris and Jared Kushner never discussed any loans to Kushner Companies," a lawyer for Apollo wrote in the March 20 [letter](#). "To our knowledge Jared Kushner did not play any role on behalf of Kushner Companies" with respect to the loan.

To view online [click here](#).

## **Fed says CECL accounting standard won't be part of CCAR until 2020**[\(back\)](#)

By Victoria Guida

The Federal Reserve today announced its annual stress testing would not incorporate until 2020 a new accounting standard that would require banks to immediately record expected losses when they make a loan.

The rule does not outline how the "current expected credit loss" standard will ultimately be incorporated into the stress tests at that time.

Banks will have to begin booking the losses starting in 2020 or 2021, with the earlier date required for public companies that file with the SEC. But the [draft proposed rule](#) would also allow banks to begin applying the standard early, if they choose.

The rule will ultimately be published on an interagency basis with the FDIC and the Office of the Comptroller of the Currency.

**WHAT'S NEXT:** The FDIC board will vote to approve the proposed rule at 10 a.m. on Tuesday. Fed Vice Chairman of Supervision Randal Quarles will [testify](#) before the House Financial Services Committee at the same time.

To view online [click here](#).

## **House passes bill that would scale back Volcker rule**[\(back\)](#)

By Zachary Warmbrodt

The House today passed a bipartisan bill that would accelerate a rollback of the bank proprietary-trading ban known as the Volcker rule.

The House passed the bill sponsored by Rep. [French Hill](#) (R-Ark.) in a 300-104 [vote](#). Democrats were divided on the legislation, which was co-sponsored by Reps. [Bill Foster](#) (D-Ill.) and [Josh Gottheimer](#) (D-N.J.). House Financial Services ranking member [Maxine Waters](#) (D-Calif.) led opposition to it on the floor today. Seventy-eight Democrats voted in favor of the bill.

It was an unusual Friday vote for the House, which tends to wrap up its weekly business by Thursday night. But it moved ahead with the legislation as Financial Services Chairman [Jeb Hensarling](#) (R-Texas) fights to send a growing list of deregulatory measures to President Donald Trump's desk by the end of this year. Hensarling is trying to expand the scope of a bipartisan banking bill the Senate passed last month.

Like the Senate [bill](#), the legislation the House passed today would exempt small banks from the Volcker rule. But it goes a step further, giving the Federal Reserve exclusive authority to undo the regulation, cutting out several other agencies that have a say in it now.

"Think if you had to file your taxes with five different federal agencies," Hensarling said.

**WHAT'S NEXT:** Fed Vice Chairman Randal Quarles will testify before Congress next week.

To view online [click here](#).

### **Citi, JPMorgan worry Fed stress test plan could cause volatility in capital rules**[\(back\)](#)

By Victoria Guida and Zachary Warmbrodt

Executives at JPMorgan Chase and Citigroup both expressed concern that changes proposed to the Fed's annual stress tests could result in large swings in their minimum capital requirements from year to year.

On Tuesday, the Fed proposed using the stress tests not to measure whether a bank could survive an economic downturn with capital levels of at least 4.5 percent, but instead to set the lender's capital requirements for the following year.

That means regulatory capital standards could change significantly from one year to the next, depending on the Fed's stress scenario and how it calculates a bank's losses, Citi Chief Financial Officer John Gerspach said on an earnings call with reporters.

"Frequent changes either up or down in a bank's capital requirements, that's certainly going to present a challenge to a bank's ability to prudently allocate and otherwise manage its capital," he said.

He suggested there should be "some limit on the annual variation resulting from changes in either scenario design or changes in the Fed's model."

Gerspach also said it underlined the need for transparency from the Fed. He also expressed worry that this would further increase capital levels at large U.S. banks relative to their foreign competitors.

JPMorgan Chase CFO Marianne Lake similarly said on an earnings call with investors that the bank doesn't want to be "up and down and sideways."

"I suspect that through the comment period, the implications of volatility will be properly explored, and that hopefully there will be some sort of mechanism considered to ... allow for things not to be whipsawing around based upon the specificity of the test," she said.

To view online [click here](#).

### **JPMorgan CFO: Fed should re-examine GSIB surcharge**[\(back\)](#)

By Victoria Guida

JPMorgan Chase CFO Marianne Lake said today the Federal Reserve should reconsider its formula for a capital surcharge placed on global systemically important banks to ensure all the capital requirements "hang together."

The so-called GSIB surcharge is included in both new regulatory proposals from the Fed this week, one of which would rejigger the central bank's annual stress tests, and another that would tie the level of a backup capital rule, known as the enhanced supplementary leverage ratio, to the surcharge.

In the bank's quarterly earnings release, JPMorgan said it is supportive of integrating the stress tests with ongoing capital requirements, "but further propagation of the GSIB surcharge without addressing known issues is of concern."

"Stepping back, if we are fundamentally reconsidering the construct of minimum capital levels, then all of the building blocks should be in play, including the GSIB surcharge," Lake said on an earnings call with investors.

She praised "openness from current leadership to really listen to industry" and said she supported the effort to make capital requirements more calibrated to an individual firm's risks. But she told reporters in a separate call that the surcharge was weighted too heavily toward size.

Lake said the stress capital buffer proposal would likely increase the bank's minimum level of capital, but it would still be in the range of 11 to 12 percent.

**WHAT'S NEXT:** There's a 30-day comment period for the eSLR proposal from the Fed and Office of the Comptroller of the Currency, and a 60-day comment period for the stress capital buffer proposal from the Fed.

To view online [click here](#).

### **Wells Fargo: CFPB, OCC proposed \$1B fine for mortgage, auto insurance abuses**[\(back\)](#)

By Victoria Guida

Wells Fargo today said the CFPB and the Office of the Comptroller of the Currency have proposed fining the bank \$1 billion for customer abuses in mortgage lending and auto insurance.

The bank, which reported net income of \$5.9 billion for the first quarter of the year, said that figure was "subject to change" because of ongoing discussions with the regulators.

The bank has admitted it might have charged hundreds of thousands of customers for auto insurance they didn't need. It also said in October that it would refund homebuyers who were wrongly charged fees to secure low mortgage rates.

"At this time, we are unable to predict final resolution of the CFPB/OCC matter and cannot reasonably estimate our related loss contingency," the bank said in its earnings release.

The fine would come on top of \$185 million already paid by the bank to those regulators and the LA City Attorney's office for opening potentially millions of accounts without customers' permission.

**WHAT'S NEXT:** Wells said its results might be revised when its formal quarterly statements are filed with the SEC, suggesting the matter is close to being resolved.

To view online [click here](#).

## Warren rakes in cash for Senate reelection bid([back](#))

By Lauren Dezenski

Heading into her first reelection, Massachusetts Sen. [Elizabeth Warren](#) finished the first quarter of 2018 at the same strong fundraising clip she maintained throughout 2017.

Warren pulled in \$3.12 million through the first three months of the year, leaving her with \$15 million cash on hand at the end of March, according to data released by the Warren campaign.

Of those donations, 10,422 came from Massachusetts. And the vast majority, 82 percent, came in contributions of \$25 or less. Only one percent of Warren's donations this quarter were larger than \$100.

Warren, one of the Senate's top fundraisers, is raising significantly more than the handful of candidates currently vying for the Republican nomination.

Recent polling finds a 30-point gap between Warren and her nearest challenger and fundraising totals from Q1 show a similar gulf.

State Rep. Geoff Diehl, GOP operative Beth Lindstrom and businessman and philanthropist John Kingston all raised roughly \$300,000 in the first three months of 2018, according to numbers released by each campaign.

To view online [click here](#).

## Fed proposal reduces stress test drama, but not its teeth([back](#))

By Victoria Guida

Under a new Federal Reserve proposal this week, large banks would no longer fail the central bank's stress tests for having insufficient capital, removing some of the drama from the annual exercise. But they're not off the hook.

Since the financial crisis, the Fed has examined whether the largest banks will be able to weather rough economic headwinds with sufficient capital, based on hypothetical scenarios that change every year. The results determine whether participating banks can move forward with planned share buybacks or dividends.

But on Tuesday, the Fed proposed using the stress tests not to measure whether a bank could survive an economic downturn with capital levels of at least 4.5 percent, but instead to set the bank's capital requirements for the following year.

That means there would be no failing grade for capital levels — a win for banks that have long decried the Comprehensive Capital Analysis and Review as a "black box" that could unpredictably affect their business.

"This is the way it should be done," said Kevin Barker, an analyst at Piper Jaffray who specializes in regional banks. "Do you really need a dog-and-pony show that says, 'So-and-so bank failed my stress tests'?"

Banks' capital requirements would still be tied to CCAR. And the Fed would have the ability to limit a lender's dividend payouts or executive bonuses if, at any point in the year, the lender's capital falls below certain levels. But the decision to

conduct stock buybacks would be up to the firms.

And one unanswered question is how and when markets would be informed that a bank is facing penalties for insufficient capital.

Still, the pass-fail element is not quite gone from CCAR. Banks with more than \$250 billion in assets could fail if the Fed isn't satisfied with their ability to manage risks, known as the "qualitative" portion of the tests.

"It makes CCAR at least as subjective a requirement as it has long been," said Karen Petrou, managing director at Federal Financial Analytics. The Fed sorts through huge amounts of data at the banks, she said. "But all of that then still comes down to whether the CCAR stress reviewer thinks you're safe and sound."

It's a significant shift for the Fed to remove the possibility of a quantitative objection, but banks have rarely failed for that aspect of the test. Firms have occasionally been asked to resubmit their plans for capital distributions.

Now, there will be more of a range of consequences if the Fed is worried about a bank's capital levels; as a firm dips more into the new buffer, it will face "increasingly strict limitations" on dividends and bonus payments, according to a Fed staff memo on the proposed rule.

There would also be a lag before the bank's new capital requirements take effect; CCAR results would be released at the end of June, but the buffer wouldn't be changed until Oct. 1 of that year, giving banks time to get their capital levels up if they need to.

Under the stress capital buffer, a bank's additional capital requirements above the 4.5 percent minimum would be calculated as the percentage by which a lender's capital decreased under the worst scenario, with a floor of 2.5 percent.

Because the size of the decrease in capital is all that would matter, banks would also not be judged against a 3 percent supplementary leverage ratio requirement, a helpful change for Bank of New York Mellon and State Street. Leverage requirements would instead be incorporated into the calculation of a new buffer.

Despite this paradigm shift, much about the preparation and the consequences for the banks wouldn't change. One of the most consequential pieces of the proposal is the changes in the assumptions around CCAR, Petrou said.

They will now only be required to hold one year's worth of dividends rather than two. They will no longer be required to assume their balance sheets will increase during a crisis. And the Fed is scrapping its policy of treating banks that request a dividend payout ratio of at least 30 percent with heightened supervisory scrutiny.

All of those changes will mean a net decrease in capital requirements for most banks that participate in CCAR, according to the Fed. But that decrease would be more than offset for the global systemically important banks because they're subject to an extra capital surcharge on top of the increased capital they will likely face under the new buffer.

More broadly, the proposal would focus the stress tests more squarely on banks above \$250 billion in assets. They still face the qualitative portion of the test, which usually ends up being the most punitive.

The rest of the banks in CCAR "are a fraction of the size of Wells, Bank of America or JPMorgan, so where should the Federal Reserve really focus its efforts to ensure financial markets are stable?" Barker said. "Obviously it's the larger banks."

To view online [click here](#).

### **Event starting now: Winning the age of AI** [\(back\)](#)

By POLITICO Pro Staff

The rise of artificial intelligence is driving the next big shift in the global economy. From our homes and schools to our workplaces, no aspect of American society will be untouched by the new age of machine learning.

Join POLITICO for a deep-dive conversation exploring the policy changes needed to ensure that the future of work is a win for all Americans.

Continue the conversation on Twitter using #POLITICOTech and watch live [here](#).

To view online [click here](#).

### **Louisiana's Kennedy slams BofA over gun policy** [\(back\)](#)

By Zachary Warmbrodt

Bank of America is attracting the ire of Sen. [John Kennedy](#), who excoriated the company today over its decision to stop

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lending to manufacturers of military-style firearms.

In a [letter](#) to Bank of America Chairman and CEO Brian Moynihan, the Louisiana Republican accused the bank of "trying to work around Congress" and asked him to disclose the businesses that stand to lose banking services as a result of the new policy.

Kennedy sent a similar letter to Citigroup after it announced that it would restrict its retail clients' firearms sales.

"I am deeply troubled that you decided to follow in Citi's footsteps and punish law-abiding businesses for operations that are protected by the Second Amendment," he said. "Bank of America, Citigroup, and the other bailed out Wall Street banks owe a tremendous debt to the American taxpayer."

Bank of America did not immediately respond to a request for comment.

**WHAT'S NEXT:** Federal Reserve Vice Chairman Randal Quarles, the Fed's top bank regulator, will testify before the Senate Banking Committee on April 19. Kennedy is a member of the committee.

To view online [click here](#).

## OFAC director stepping down in early May [\(back\)](#)

By Victoria Guida

John Smith, the top official at the Treasury Department's Office of Foreign Assets Control, will step down in early May, the department announced today.

Smith, who has served as OFAC director/acting director since February 2015, will be replaced on an acting basis by Deputy Director Andrea Gacki.

The outgoing director was involved in imposing a broad range of sanctions, including on entities deemed supporters of terrorism, proliferators of weapons of mass destruction, malicious cyber actors and narcotics traffickers.

Sigal Mandelker, undersecretary of Treasury for terrorism and financial intelligence, credited him with playing an important role "in the maximum economic pressure campaign against North Korea."

"John has been a tremendous leader for OFAC with invaluable expertise in the inner workings of its sanctions authorities," Treasury Secretary Steven Mnuchin said in a statement. "He has been a central force in Treasury's response to national security and foreign policy challenges."

Smith, who had previously been deputy director and an associate director, has worked at the agency for 11 years. He said it was an honor to serve as OFAC director.

"I know that the dedicated career professionals at OFAC will continue to fulfill the agency's mission and exceed expectations," he said.

Chief Counsel Bradley Smith will fill the role of acting deputy director.

To view online [click here](#).

## POLITICO Magazine: Trump's next crisis could be with his Asian bankers [\(back\)](#)

By William Pesek

With money you can buy a house, but not necessarily a home. President Xi Jinping can surely relate to this Chinese adage as he considers the dubious mortgage Beijing holds at the moment.

The U.S. may have built a giant, vibrant economic house on the proverbial hill, but bankers in China, Japan and elsewhere in Asia possess the deed. Together, 10 Asian economies hold more than \$3 trillion of U.S. Treasuries as Washington borrows with abandon. That's leverage over President Donald Trump's White House, and don't doubt for a minute that Communist Party bigwigs in Beijing know it.

With the U.S. deficit set to soar past \$1 trillion, threatening to send the U.S. debt-to-GDP ratio to a level not seen since the 1940s, Xi's government is dropping not-so-subtle hints about calling its \$1.2 trillion of loans to Washington. The first shot across Trump's bow came from Cui Tiankai, China's ambassador to the U.S. In a March 23 Bloomberg interview, he hinted Beijing might scale back U.S. debt purchases, a step that would send shock waves through global markets. "We are looking at all options," Cui said.

More recently, a top adviser to China's central bank, Fan Gang, said it's time to diversify. "We are a low-income country, but

we are a high-wealth country," Fan said April 9 in a speech at the annual Boao Forum. "We should make better use of capital. Rather than investing in U.S. government debt, it's better to invest in some real assets."

These aren't idle threats. Xi has zero reason to think China — and its vast state wealth — has found a home with the "America First" president. It would be complacent, too, to conclude Xi's soothing words on April 10 ("dialogue rather than confrontation") will ease tensions. Trump won the White House claiming China is "raping" American workers. A few vague pledges by Xi to open markets, cut auto tariffs and protect intellectual property rights won't persuade Trump to drop a core belief — and Xi knows that.

Also, Xi thinks in decades. Concrete steps to give Trump what he demands could come well after the 2020 U.S. election. White House inhabitants come and go, but Xi's massive "Made in China 2025" plan yields to no one. Last month, Xi's party made him the helmsman indefinitely, perhaps for life. Trump will be gone by January 2025 at the latest.

To maintain power, Xi must generate 6.5 percent growth annually and morph China into a leader in aerospace, biotechnology, electric vehicles, high-speed rail, renewable energy, robotics, software and telecommunications. Given the scale of the enterprise, Trump is more a risk-management challenge to Xi than a long-run disruptor.

The short run, though, is sure to be busy. As scandals and investigations mount, a caged and paranoid White House is desperate to change the narrative. What better way than an escalating trade war that cheers Trump's base without requiring congressional approval?

Yet Team Trump mustn't take its top banker, China, for granted. On top of roughly \$150 billion worth of tariffs on mainland goods, Trump is demanding that Beijing curb support for high-tech sectors. That's an economic red line for Xi and his signature 2025 project. Liu He, vice premier overseeing economics and finance, balked, according to local press reports. This standoff alone should give pause to anyone hoping cooler heads will prevail. So should Beijing's assertive and creative pushback against tariffs, targeting the farm goods, bourbon, machine tools and motorcycles beloved in Trump country. In the end, Xi's China won't back down.

Trump may think he has all the leverage, but Xi can always play the Treasuries card right back. Bond traders would be remiss to think he won't if Trump escalates the tariff arms race. One reason markets have taken warnings from Cui and Fan in stride is the mistaken belief we've been here before.

In June 1997, then-Japanese Prime Minister Ryutaro Hashimoto rocked markets during a speech at New York's Columbia University. Hashimoto warned that Tokyo could always dump its dollars to make a political point. One such episode: tense U.S.-Japan auto talks during the mid-1990s. "Several times in the past," he revealed, "we've been tempted to sell large lots of U.S. Treasuries." Thankfully, Tokyo didn't trash the lynchpin asset of world trade.

The threat Hashimoto telegraphed that day would be echoed in Beijing 14 years later. In August 2011, China looked on angrily as then-President Barack Obama cozied up to Taiwan, which Beijing views as a renegade province. The state-run People's Daily newspaper spoke for many in the halls of power at the time, declaring: "Now is the time for China to use its 'financial weapon' to teach the U.S. a lesson if it moves forward" with arms sales to the island democracy.

Even the secretary of Defense at the time, Leon Panetta, chimed in: "Attempting to use U.S. Treasury securities as a coercive tool would have limited effect and likely would do more harm to China than to the United States." Seven years on, Panetta is right in one respect: There is indeed a mutually-assured-destruction dynamic at play here. By dumping Treasuries, Xi's government would sustain massive paper losses and slam a key export market. A resulting surge in debt yields could savage U.S. jobs and consumption — a dreadful outcome for export-reliant China.

There's also how the turmoil affects Xi's reform drive. Tackling dueling bubbles in debt, credit, property and pollution without crashing the world's No. 2 economy is hard enough in the best of times. A global trade brawl raises the stakes and the risks.

Even so, Beijing has valid reasons for buyer's remorse as U.S. debt skyrockets. In February, Director of National Intelligence Dan Coats said Washington's \$21 trillion-plus debt "truly undermines our ability to ensure our national security." On April 9, the Congressional Budget Office said the annual budget deficit will top an eye-popping \$1 trillion by 2020.

Beijing, not surprisingly, looked askance at Trump's Republican Party in December passing a \$1.5 trillion tax cut the economy didn't need. It's not the first time. Long before Trump, a real estate tycoon who touts bankruptcy filings as good business, arrived in the White House, China fretted about the dollar. In 2009, then-Premier Wen Jiabao made an impassioned plea about Washington's post-Lehman-Brothers-crisis borrowing binge.

"We have made a huge amount of loans to the United States," Wen said. "Of course, we are concerned about the safety of our assets. To be honest, I am a little bit worried." Wen urged the U.S. "to honor its words, stay a credible nation and ensure the safety of Chinese assets." Wen was articulating Beijing's catch-22: Even though it has too many U.S. bonds already, there are few viable alternatives.

The Obama White House trod carefully with its Asian benefactors. In 2009, Hillary Clinton put debt diplomacy over human rights on her maiden trip to Beijing as secretary of state. Political prisoners took a backseat to how "our economies are so intertwined," as she put it. That same year, according to cables released by WikiLeaks, Clinton asked Australia's then-Prime Minister Kevin Rudd for advice: "How do you deal toughly with your banker?"

Trump's trade war, though, is the wrong answer to a different question — the right question, actually. Yes, Beijing is an

unfair trader. It subsidizes local players, hinders foreign firms from competing, contradicts World Trade Organization rules and cribs intellectual property. But given the uniquely symbiotic relationship between the two countries, China and the United States must sit down and negotiate in good faith, not duke it out via dueling statements and tweets.

Yet Trump is playing the most dangerous game of all: trolling his bankers. An unspoken assumption behind the December tax cut is that China, Japan, Taiwan, India, Singapore and South Korea will dutifully buy more U.S. debt. That's now in doubt. Washington's fiscal irresponsibility — and new weak-dollar policy — are reason enough to question its creditworthiness. But Trump shouldn't be giving China justifications to make history's biggest margin call, shaking America's economic foundations. For Emperor Xi, it's the ultimate trump card.

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## TOP NEWS

### [Justice Department to end Obama-era 'Operation Choke Point'](#)

By Victoria Guida

An assistant attorney general referred to the program, which discouraged banks from serving businesses such as payday lenders, as 'misguided.'

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### **Justice Department to end Obama-era 'Operation Choke Point'** ([back](#))

By Victoria Guida

The Justice Department has committed to ending a controversial Obama-era program that discourages banks from doing business with a range of companies, from payday lenders to gun retailers.

The move hands a big victory to Republican lawmakers who charged that the initiative — dubbed "Operation Choke Point" — was hurting legitimate businesses.

In a [letter](#) to House Judiciary Chairman [Bob Goodlatte](#) (R-Va.), Assistant Attorney General Stephen Boyd referred to the program as "a misguided initiative."

"We share your view that law abiding businesses should not be targeted simply for operating in an industry that a particular administration might disfavor," says the letter, obtained by progressive activist group Allied Progress and later provided to POLITICO by Goodlatte's office. "Enforcement decisions should always be made based on facts and the applicable law."

"We reiterate that the Department will not discourage the provision of financial services to lawful industries, including businesses engaged in short-term lending and firearms-related activities," it adds. A nearly identical letter was sent to Sens. [Thom Tillis](#) (R-N.C.) and [Mike Crapo](#) (R-Idaho).

The Justice Department confirmed the letter was authentic but declined to comment further.

Under President Barack Obama, the department said the effort was intended to root out fraud by banks and payment processors and to cut off the banking system from wrongdoing by merchants.

Karl Frisch, executive director of Allied Progress, blasted the letter as "a massive giveaway to predatory payday lenders and other shady financial scam-artists."

"Operation Choke Point has been incredibly effective at cracking down on the flow of money to fraudulent merchants that violate the law and target vulnerable consumers," Frisch said in a statement.

But Republicans in Congress have argued that the program hindered banks from serving legitimate businesses and tried to get officials to back off by using legislation and investigative powers.

Goodlatte and House Financial Services Chairman [Jeb Hensarling](#) (R-Texas), along with Reps. [Tom Marino](#) (R-Pa.), [Blaine Luetkemeyer](#) (R-Mo.) and [Darrell Issa](#) (R-Calif.) praised the department in a joint statement.

"We applaud the Trump Justice Department for decisively ending Operation Choke Point," they said. "The Obama Administration created this ill-advised program to suffocate legitimate businesses to which it was ideologically opposed by intimidating financial institutions into denying banking services to those businesses."

Last year, payday lenders sued banking regulators over what they claimed was an effort to force banks to cut ties with the firms. A federal judge handling the case had approved a schedule for discovery. Regulators have denied discriminating against specific types of businesses.

Last month, Republicans in Congress sent letters to DOJ urging it to discontinue the program, saying they were hearing complaints. They asked for an official statement saying Operation Choke Point was no longer in effect.

Frisch disagrees with the lawmakers' view. "Ending this program will make it easier for financial predators and other unscrupulous industries to get the resources they need to carry out their deceptive and frequently unlawful business practices," he said.

*Zachary Warmbrodt contributed to this report.*

To view online [click here](#).

## **Democrats seek details on Kushner Cos. apartments [\(back\)](#)**

By Lorraine Woellert

Maryland Democrats are investigating whether a real estate company owned by Jared Kushner, President Donald Trump's son-in-law and top adviser, violated rules of a federally funded housing program.

In a letter sent today, lawmakers asked Kushner Cos. for documents relating to reports that the company and its affiliates failed to provide safe and sanitary housing for tenants receiving rental subsidies through Housing Choice, a voucher program run by the Department of Housing and Urban Development.

The [letter](#) was signed by Rep. [Elijah Cummings](#), ranking member of the House Committee on Oversight and Government Reform, along with Sens. [Ben Cardin](#) and [Chris Van Hollen](#) and House members [Dutch Ruppersberger](#), [John Sarbanes](#) and [Anthony Brown](#).

The New York Times and ProPublica recently [documented](#) appliance failures, mold, mildew, and rodent infestations at Maryland properties owned and managed by Kushner and its affiliates.

"If these reports are accurate, they raise very serious and troubling concerns about whether Kushner Companies and its subsidiaries are complying with HUD's housing quality standards to ensure the safety and health of their own tenants," the lawmakers wrote.

**WHAT'S NEXT:** The company has until Sept. 8 to respond.

To view online [click here](#).

## **Clayton's former law firm opposes landmark accounting rule change [\(back\)](#)**

By Patrick Temple-West

The law firm that previously employed SEC Chairman Jay Clayton asked the agency on Friday to reject a landmark regulatory change for the accounting industry that is opposed by business groups.

Sullivan & Cromwell, where Clayton worked for more than 20 years, said the SEC should reject a proposal adopted by the Public Company Accounting Oversight Board in June that would give investors a more nuanced diagnosis of a firm's financial health. The SEC must approve PCAOB standards, and to date the agency has never rejected a proposal by the accounting industry watchdog.

"We would respectfully urge the Commission not to approve the proposed rules in their existing form," the law firm said in a [letter](#) to the agency.

After more than six years of work, the PCAOB greatly expanded the requirements for a corporate auditor's report to include a discussion of "critical audit matters." These are issues in a company's financial statement that the auditor could report are subjective or simply beyond the typical complexity of accounting.

The new standard also asks auditors to report when they started serving as the company's accountant, a move that could highlight for investors a potential cozy relationship.

The rule change is drawing an unusually large number of supporters and opponents for a PCAOB rulemaking, underscoring the significance of this standard. The Chamber of Commerce has also asked the SEC to reject the new standard, but many investors support the auditing proposal, setting up a test of who Clayton will side with.

The Capital Group, a Los Angeles-based asset manager, said the SEC should approve the proposed standard "without delay," in an Aug. 15 [letter](#) to the agency.

**WHAT'S NEXT:** The SEC is expected to act on this rule by Oct. 26.



To view online [click here](#).

## Wave of resignations hits Commerce Department's board of 'digital economy' advisers [\(back\)](#)

By Nancy Scola

More business executives are departing en masse from Trump administration advisory positions, with a new set of resignations from a Commerce Department advisory board following an exodus from two business groups advising the White House, which then disbanded both of them.

More than half of the members of the [15-person Digital Economy Board of Advisors](#), an expert board set up last year by the Obama administration to help the federal government navigate the digital economy, are known to have resigned this week in the wake of President Donald Trump's controversial comments about the violence last week in Charlottesville, Va., that left one person dead.

Those no longer participating as of today include co-chairs Zoë Baird, president and CEO of the Markle Foundation; Mitchell Baker, executive chairwoman of the tech organization Mozilla; David L. Cohen, senior vice president and chief diversity officer at Comcast; Karen Bartleson, president of the Institute of Electrical and Electronics Engineers; Marta Tellado, president and CEO of Consumer Reports; James Manyika, director of the McKinsey Global Institute; Sonia Katyal, chancellor's professor of law at the University of California at Berkeley School of Law; and Corey Thomas, president and CEO of cybersecurity firm Rapid7. Their departures were confirmed by those individuals, their representatives or emails obtained by POLITICO.

The departures amplify the increasing rift between private sector advisers and the Trump White House. Merck CEO Kenneth Frazier set off a chain reaction when he resigned Aug. 14 from a manufacturing council that Trump appointed, saying he didn't condone how the president responded to the events in Charlottesville. During his presidency and the transition leading up to it, Trump has leaned on business leaders to bolster his messages of job and economic growth, often appearing in photo ops with CEOs in the Oval Office or at Trump Tower.

The departures differ from those from the White House advisory groups because they mark a case of outside experts distancing themselves not simply from the White House or Trump, but from a federal agency. Some commentators have floated the possibility that business leaders eager not to be seen engaging with the White House or the president might instead chose to [deal directly with federal agencies](#), such as the Wilbur Ross-led Commerce Department.

All of the digital economy board members who resigned had been [appointed to the posts](#) by then-Secretary of Commerce Penny Pritzker 16 months ago to what was meant to be two-year terms. At the time, Pritzker described the group, known internally as DEBA, as a way of tapping the expertise of those familiar with digitally based industries and business models — including those based on or around the internet — to help the Commerce Department evolve from its long-standing focus on manufacturing and other traditional industries.

Some of those who have left the board explicitly framed the end of their participation as a response to Trump's comments on the events in Charlottesville.

"It is the responsibility of leaders to take action and lift up each and every American. Our leaders must unequivocally denounce bigotry, racism, sexism, hate, and violence," Baker wrote in a resignation note addressed to Ross. Bartleson, in her own letter to Ross, wrote, "IEEE's core values, code of ethics, and code of conduct — and certainly my own principles — have no room for hatred, violence, racism, and discrimination."

Lyft President John Zimmer had originally been named as a participant in the Pritzker-appointed panel, but was not included on a more recent listing of group members. In a statement given to POLITICO, a Lyft spokesperson said that "Lyft executives are not participating and will not participate in any advisory panel associated with the Trump administration."

A Comcast spokesperson declined to comment on the motivations behind Cohen's departure this week, but said that Ross should have the opportunity to name his own hand-chosen members of the board should he opt to continue the panel.

The remaining members of the board did not respond to requests for comment or otherwise could not be immediately reached.

The digital economy board moves come shortly after the shuttering earlier this week of two business-engaging groups created by Trump, one focused on American manufacturing and the other a "strategic and policy forum." [In a tweet](#), Trump took credit for ending those groups' short runs, though other reporting suggests their members had already chosen to disband before his announcement, following a string of resignations after Frazier's.

According to those familiar with the activities of the digital economy board, the group had not met or otherwise conducted activities during the first eight months of the Trump administration.

The Commerce Department did not respond to requests for comment.

*Zachary Warmbrodt contributed to this report.*

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## **Bannon out as White House chief strategist** ([back](#))

By Josh Dawsey

Steve Bannon is out as White House chief strategist, according to a senior administration official, amid growing displeasure in the West Wing with his tactics and behavior.

His departure marks the latest high-level staff shake-up that has rocked President Donald Trump's administration.

To view online [click here](#).

## **CEOs to move their White House talks underground** ([back](#))

By Nancy Cook

Chief executives no longer want to appear in photo-ops with President Donald Trump following his race comments about Charlottesville, but that doesn't mean they're giving up on trying to shape his agenda.

There's simply too much money at stake with tax reform, infrastructure, and health care in play — billions of dollars in a tax overhaul alone — for corporations to disengage entirely with the White House or official Washington.

So while companies will rely less on direct access to Trump through advisory councils and meetings at the White House, their advisers and lobbyists still plan to engage with top White House aides such as Vice President Mike Pence or National Economic Council Director Gary Cohn, political appointees at agencies, and Congress to make their case for rolling back regulations, keeping specific tax breaks or cutting the corporate tax rate.

This will, in effect, push corporations' lobby efforts more underground than a public listening session at the White House, covered with fanfare by photographers and reporters. That's an ironic twist, eight months into the administration, for a president who promised to "drain the swamp" during his campaign.

For now, the only part of the White House that is toxic to business leaders and companies is the businessman-turned-president himself.

"Businesses will continue to engage on the issues important to the American economy, just through different venues," said Michael Steel, managing director at Hamilton Place Strategies, a public affairs firm that represents a number of financial services clients. "Many people in the business community are frustrated by the president's words and tweets on Charlottesville, but that does not change the importance of policies that make life better for the economy and the American people."

And one Republican lobbyist said he isn't confident that legislative successes would quickly turn around many CEOs' skittishness about being captured on film shaking Trump's hand. "Imagine if we start passing legislation," the lobbyist said. "In a few months, let's say we pass a tax bill. Normally, we'd have a big rah-rah at the White House, but would CEOs even show up for a victorious event? Maybe not."

A White House official downplayed the significance of the disbanding of the two business councils earlier this week, saying that the formal meetings in recent months had become less valuable.

In the months ahead, the administration plans to do calls and outreach to CEOs or companies on specific issues, the official added, similar to recent private calls it did this spring on STEM education, or modernizing government information technology.

The White House scrapped two of its business advisory groups, filled with CEOs, manufacturers, and trade association and labor union leaders, after several members dropped out or threatened to leave following Trump's comments on Tuesday in which he blamed the Charlottesville violence on "both sides" and said that not all white supremacists were bad people.

On Thursday, the White House also said that its advisory council on infrastructure would not move forward.

For the president, the loss of public support from the business community knocks off another chunk of his base at a time when his approval ratings in the polls are dropping.

"The president needs friends, and one of his friends has dropped out of the room. In terms of political legitimacy, this has been a bad week for the White House," said Michael Useem, director of the Center for Leadership and Change Management at the Wharton School.

And by distancing themselves from the president over his failure to fully condemn hate groups, CEOs miss the chance to visit the Roosevelt Room to make subtle or nuanced suggestions on their pet issues, be it tax reform or health care or

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regulations.

"Historically, those sorts of visits and a spot on a presidential business council was considered coveted and a big deal," Useem added. "Now, companies will not want to be seen with him."

There's no doubt that companies will continue to keep a firm toehold in Washington's policy machinations, especially with tax reform on the horizon, a long-held Republican dream.

Groups like the Business Roundtable, which has pledged to spend millions of dollars in 2017 to push for a tax overhaul, are keeping their advocacy plans in place. "It is a priority of Business Roundtable to get tax reform done this year, and we remain committed," said Jessica Boulanger, senior vice president at BRT.

This week, the level of angst among CEOs spiked after Trump called out the CEO of Merck on Twitter for dropping out of one of his business councils following the president's handling of Charlottesville. Jeffrey Sonnenfeld, a professor of management at the Yale School of Management, said he'd spoken to 26 chief executives over the last three days, and they largely expressed the feeling that "they had a moral compulsion to act."

The business leaders' decision to distance themselves from the president was made much easier by the fact that so few knew him personally, Sonnenfeld said. Nor did they consider him a peer, despite his boasts of his wealth and success in building his family real estate business.

"He was not a Fortune 500 CEO. The truth is: They don't know him. He is not in their social circles," Sonnenfeld added.

One lobbyist said the biggest loser is clearly Trump, given that CEOs and companies were the one constituency well-positioned to execute for him and help his agenda. Now, they too are off-limits. That is a hard truth for a president who has centered much of his campaign promises on increasing wages, growing the economy, and bringing jobs back to the U.S. — all the while going to war with major U.S. employers like Intel, 3M, and GM.

For many of the blue-chip corporations caught up in the maelstrom this week, they're simply catching up to the Silicon Valley tech companies that struck up a complicated relationship with the president and administration almost immediately, dating back to the January roll-out of the immigration and travel ban that infuriated these companies that employ many workers on special visas.

Moving ahead, CEOs' major worry is not wanting to get called out by the president in a tweet, or publicly criticized at a press conference. One D.C.-based crisis communications expert said that companies have had contingency plans in place since the election for that exact scenario.

In the meantime, the only thing that really changes between CEOs and Trump is that they're no longer willing to "be the potted plant in the White House's public relations campaigns," Sonnenfeld said.

To view online [click here](#).

## **CFPB, states settle with investment firm to forgive private loans of Corinthian students([back](#))**

By Michael Stratford

About a dozen state attorneys general and the Consumer Financial Protection Bureau announced today that they've reached settlements with the troubled investment firm that holds the private loan debt of tens of thousands of students who attended the now-defunct Corinthian Colleges.

Under the terms of the settlement, more than 41,000 students who attended the for-profit college chain would be eligible for about \$183.3 million worth of debt relief, according to the CFPB. Depending on when and where they attended a Corinthian school and the status of their loans, some students would be eligible for loan forgiveness of their entire outstanding balances. Others would see their principal amount cut by 55 percent.

The settlement, which is subject to court approval, would resolve federal and state allegations that Aequitas Capital Management, a private equity firm, operated a predatory lending scheme in connection with Corinthian Colleges.

The CFPB accused Aequitas of plotting with Corinthian to help the company boost the private loan revenue it needed to meet the federal 90/10 rule, which caps the amount of revenue that for-profit colleges may receive in federal loans. The private loans made to Corinthian students that Aequitas funded or later purchased were branded by the school as "Genesis loans" and carried high interest rates, the CFPB said.

Aequitas, which was placed in receivership last year after the SEC accused it of defrauding its investors, would neither admit nor deny any wrongdoing as part of the federal and state settlements.

"Although I believe that there may be valid defenses to any claims brought by these agencies," Ronald F. Greenspan, the firm's court-appointed receiver, said in court filing. "I have determined that it is in the best interest of the Receivership Estate and all of its stakeholders to resolve these investigations through a settled resolution."

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**Subject:** Re: Clips: ICYMI: Freddie Mac's Tough Spot: Turn Down a Loan to Trump's In-Laws?

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**From:** Moore, Megan

**Sent:** Friday, February 17, 2017 10:48 AM

**To:** Stein, Eric; Ryan, Bob; Byrd-Chichester, Janell; Johnson, Carrie

**Subject:** Clips: ICYMI: Freddie Mac's Tough Spot: Turn Down a Loan to Trump's In-Laws?

## Freddie Mac's Tough Spot: Turn Down a Loan to Trump's In-Laws?

by

Joe Light

[More stories by Joe Light](#)

February 17, 2017 5:00 AM

- Kushner Cos.'s use of U.S.-backed loans poses conflict risk
- More than \$500 million outstanding in Fannie, Freddie loans

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Jared Kushner's Rise to Power Mirrors Trump's

Jared Kushner relinquished control of his family's multibillion-dollar real-estate business in January to eliminate conflicts of interest when he became a top White House adviser to his father-in-law, President Donald Trump.

Yet [Kushner Cos.](#) has apartment buildings from New Jersey to Maryland with more than \$500 million in government-backed mortgages financed by [Fannie Mae](#) and [Freddie Mac](#). That could put officials at those agencies in an awkward spot: If Kushner Cos. applies for a new loan, or wants to refinance, would Freddie turn them down? If Kushner Cos. fails to comply with the terms of a loan, will Fannie seek to foreclose on a property owned by the president's in-laws?

"It clearly represents a conflict-of-interest because the government or the president can take actions that would benefit his family," said David Reiss, a professor at Brooklyn Law School who has written about issues related to Fannie and Freddie.

Hope Hicks, a White House spokeswoman, said Kushner would comply with applicable ethics rules and would recuse himself from any discussions about overhauling Fannie and Freddie, which lawmakers have sought to do in recent years. Jamie Gorelick, an attorney who has represented Jared Kushner, didn't respond to a request for comment.

Kushner Cos. says Jared's White House position won't have any effect on the family business. "The election has not changed Kushner Companies' relationship with Fannie Mae and Freddie Mac," said Kushner Cos. spokesman James Yolles. "And we will respond to policy changes like any other private company in the marketplace."

The federal government took over Fannie and Freddie in 2008, amid the financial crisis, putting them under the control of the Federal Housing Finance Agency, an independent regulator.

### Presidential Appointee

The FHFA is run by Mel Watt, appointed by former President Barack Obama. Watt's term ends in 2019, at which point Trump will pick a successor, though it's possible the president could try to remove Watt from office before then. FHFA spokesman Peter Garuccio declined to comment on potential conflicts, as did spokesmen for Fannie and Freddie.

Kushner's possible conflicts have drawn less attention than those of Trump. A team of ethics and legal specialists filed a lawsuit last month accusing the president of violating the Constitution by allowing his hotels and other businesses to take money from foreign governments. Trump has said he transferred control of his business to a trust managed by his eldest sons and a longtime associate to avoid any conflicts.

The [Trump Organization](#) mostly own hotels and office buildings that don't qualify for Fannie and Freddie loans. Trump last year reported holding a 4 percent stake in Starrett City, an affordable housing development in Brooklyn that has \$399 million in outstanding loans financed by Freddie, according to data compiled by Bloomberg. The company didn't respond to an e-mailed request for comment.



New York-based Kushner Cos., built by Kushner's father, Charles, owns buildings with more than 20,000 apartments, and 13 million square feet of commercial space. Kushner, 36, took over the company after his father was convicted in 2005 of crimes including witness tampering and tax evasion. Charles Kushner served more than a year in prison.

During Kushner's tenure leading the company, he oversaw the acquisition of 11 properties and three refinancings funded by \$581 million from Fannie and Freddie, according to real-estate data firm Real Capital Analytics. Real Capital includes in its loan tallies any buildings for which records show Kushner Cos. has an ownership stake.

About \$568.8 million is outstanding on those Fannie and Freddie loans, according to data compiled by Bloomberg.

Among the outstanding mortgages: Kushner Cos. in 2015 refinanced a 124-unit complex called Skyline Terrace in Hasbrouck Heights, New Jersey, with a \$15 million Freddie-backed loan. The complex, made up of squat two-story brick buildings within commuting distance of Manhattan, this month advertised a 500-square-foot, one-bedroom apartment for \$1,173 a month.

## Kushner Cos. Properties With Government-Backed Loans

Property Name	Location	Lender
The Erbe at the Piazza	Philadelphia, PA	Fannie Mae
Pier Village I and II	Long Branch, NJ	Freddie Mac/Fannie Mae
Skyline Terrace	Hasbrouck Heights, NJ	Freddie Mac
Highland Village Townhomes	Halethorpe, MD	Freddie Mac
Riverview Townhomes	Halethorpe, MD	Freddie Mac
Hamilton Manor	Hyattsville, MD	Freddie Mac
Cove Village Townhomes	Essex, MD	Freddie Mac
Dutch Village	Baltimore, MD	Freddie Mac
Harbor Pointe Estates	Essex, MD	Freddie Mac
Whispering Woods Townhomes	Middle River, MD	Freddie Mac
Boulevard Apartments	Hasbrouck Heights, NJ	Freddie Mac
Navona	Philadelphia, PA	Fannie Mae
The Commons At White Marsh	Middle River, MD	Freddie Mac
Fontana Village Townhomes	Rosedale, MD	Freddie Mac

Source: Real Capital Analytics

Bloomberg 

When Kushner stepped down from the company in January, he turned over control to his father and President Laurent Morali. Kushner, who in 2009 married Trump's eldest daughter, Ivanka, served as a key confidant during the president's campaign while continuing to run the business.

The couple moved to Washington after the election and he has resigned as chief executive of Kushner Cos. Kushner isn't collecting a salary in his position as senior adviser to Trump.

Gorelick said in January that Kushner would sell his interest in 35 investments, with some going to his mother and brother. Kushner would recuse himself from decisions that could affect properties he continues to own, Gorelick said.

Yolles declined to comment on whether Kushner still owns stakes in buildings with Fannie or Freddie financing.

Fannie and Freddie don't issue mortgages directly to borrowers. Instead, they buy them from lenders.

### Setting Rates

Before loans are issued for large or unusual deals, representatives of Fannie set interest rates and review borrowers' applications that are submitted to the lenders. They don't do that for smaller, routine loans.

Freddie, however, examines all applications submitted to the lender, including scrutinizing the appraisal and applicant's history of payments on other loans. Depending on the review, Freddie representatives could adjust the interest rate quoted by the lender.

If Kushner Cos. fails to make Fannie-backed loan payments on time or violate other terms, Fannie employees would determine whether to foreclose. Fannie backs about \$142.3 million of the outstanding loans.

In the case of Freddie, which backs about \$426.5 million of the outstanding loans, a servicer would decide whether to foreclose.

Kushner Cos. has run into trouble with loans before. The company in 2011 was on the verge of defaulting on more than \$1 billion of loans on 666 Fifth Ave., a Manhattan office tower, when Vornado Realty Trust injected \$80 million to stave off creditors.

Fannie and Freddie, which back about a third of all apartment lending, often have the best terms for large deals and those targeting low-income residents, housing specialists say.

The companies are allowed to back as much as \$36.5 billion each in apartment building loans this year. The director of the agency that oversees Fannie and Freddie can raise or lower that amount.

The companies can underwrite an unlimited amount in loans for certain underserved markets and buildings with units set aside for low-income tenants.

Without Fannie and Freddie in the market, borrowers would either pay higher rates or not be able to get loans. In 2009, as credit markets seized up, the companies took on about 60 percent of apartment loans, according to the Mortgage Bankers Association, a

FHFA-19-0753-A-000388

trade group.

White House officials have already said they plan to overhaul housing finance, suggesting changes that may impact apartment lending. Some Republicans in the past have called for restricting Fannie's and Freddie's apartment business, which could make projects more expensive to finance.

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**Subject:** Real Estate: Are You Into Needlepoint or Vintage Clothing? There's a Crawl for That

[The Wall Street Journal](#)

## REAL ESTATE

*By WSJ Real Estate*

### COMMERCIAL REAL ESTATE

## Are You Into Needlepoint or Vintage Clothing? There's a Crawl for That

*Christopher Hunter*

Retail groups are **rolling out quirky events** to gin up excitement in downtown shopping districts

## Toll Brothers Shares Slide, Hurt by Weak Results

*Mike Blake/Reuters*

Home builder **contends with operational issues**, as well as higher costs for labor and materials

## Kushner Cos. and LNR Negotiating Debt on Manhattan Skyscraper

*Richard Drew/Associated Press*

The debt on 666 Fifth Ave. has moved to center stage as Kushner and Brookfield **work to complete their deal** for the 39-story Manhattan building

## Who Needs a Down Payment? Trade In Your Old

## Home Instead

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*Travis Dove/Bloomberg News*

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Opendoor offers to **take the hassle out of selling** an old home to buy a new one

- **U.S. New Home Sales Fell in April**

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## GREATER NEW YORK REAL ESTATE

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### New York Co-op Living Gone Wrong: No Working Bathroom for Eight Months

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*Bess Adler for The Wall Street Journal*

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Disputes between **cooperative boards and apartment owners** over changes, renovations and bills can drag on

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## MANSION

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### Inside the London Home of Mary Poppins

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*Joanna Yee for The Wall Street Journal*

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The **‘quintessentially English’ former home** of Julie

FHFA-19-0753-A-000391

Andrews, who played the Disney musical's magical nanny, and husband Blake Edwards lists for over \$32 million; Peter Sellers and Omar Sharif on the guest list and Margaret Thatcher a neighbor

## **The Marrakesh Neighborhood the Jet-Set Call Home**

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*Kensington Luxury Properties*

---

Ultraluxurious homes within **a 54-square-mile palm grove called La Palmeraie** are a mashup of modern and Moroccan; the Emir of Qatar and members of the Agnelli and Hermès families have homes

## **Actors Jennifer Connelly and Paul Bettany Sell in Tribeca and Buy in Brooklyn**

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*Getty Images for People.com*

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The 'Alita: Battle Angel' and 'Solo: A Star Wars Story' actors **bought a Brooklyn Heights townhouse** for roughly \$15.5 million. It is believed to be one of the most expensive transactions ever closed in the borough.

## **Françoise Hardy: From Shy Chanteuse to '60s Sensation**

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*Benoit Peverelli*

---

The French singer-songwriter was an anxious child; today, a **calming 16th arrondissement Paris home**

- **Author Nancy Friday's Central Park West Compound Asks \$22.5 Million**
-



# HOUSE OF THE DAY

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## A Hamptons-inspired crib in California

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This Orange County home, which comes with a library, spa and pool, was influenced by designs from the South and the Hamptons. It is **currently listed for \$4.6 million**; views of Saddleback Mountain and Peters Canyon Regional Park

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[The Wall Street Journal](#)

## REAL ESTATE

*By WSJ Real Estate*

### COMMERCIAL REAL ESTATE

## Kushner Cos. Ends Talks With Chinese Firm for Skyscraper Deal

*Elizabeth Shafiroff for The Wall Street Journal*

New York real-estate developer **Kushner Cos. said it has ceased talks with Chinese insurer Anbang Insurance Group Co.** for the planned \$7.5 billion redevelopment of 666 Fifth Ave. The disclosure came after lawmakers and ethics experts last week expressed concerns about the potential for a conflict of interest given that Jared Kushner, son of company founder Charles Kushner, is the son-in-law of President Donald Trump and occupies a key advisory position in the administration.

- **Collapsed Skyscraper Deal Another Setback for Anbang**

## Condos Conquer Los Angeles

*Reed Saxon/Associated Press*

New condominiums are **sprouting in downtown Los Angeles** at the fastest pace since the 2008 crash, in a sign that a city synonymous with sprawl is embracing dense urban living.

# Mall Landlords Lure Medical Providers As Retailers Bolt

Douglas R. Clifford/Zuma Press

As demand grows for health-care services to be more accessible, **landlords are trying to attract medical practitioners** to their slumping malls and strip centers. The lure: customizable space that is often close to where clients live and work.

- **U.S. Pending Home Sales Surged in Warm February [WSJ Pro]**
- **U.S. Home Prices Rise at Fastest Pace in 31 Months [WSJ Pro]**
- **Amazon Gobbles Up U.K. Warehouses as Investors Pile In**

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## MANSION

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### Ron Howard Lists \$12.5 Million Spread in Manhattan's Eldorado

Rob Lowell

Built around 1930 on Central Park West, the Art Deco-style co-op building is well known for its two towers and for attracting celebrity owners like Alec Baldwin and Bruce Willis. The **Howards bought the unit in 2004** for \$5.575 million, according to public records.

### San Francisco Victorian Gets 'Soft Modern' Makeover

Allie Foraker for The Wall Street Journal

Thomas Ranese and Brian Jackson both work at Google, but neither one fits the hoodie-clad stereotype. They dress in clean-

cut, classic clothes. **Their home has that same style**, despite its location in the heart of techie-land, a couple blocks from Facebook CEO Mark Zuckerberg's house in San Francisco's Liberty Hill neighborhood.

- **Where You Can Ski Until the Flowers Bloom**
- **Actor Eric Stonestreet, From Kansas Farm to Sitcom Star**
- **Billionaire Trader Stanley Druckenmiller Lists Connecticut Estate for \$31.5 Million**

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## HOUSE OF THE DAY

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### An English Mill House Reimagined for the 21st Century

Savills

The owners **gutted the interior of this circa 18th-century country house**, which comes with a tennis court, heated outdoor pool and two-bedroom guest cottage.

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## GREATER NEW YORK REAL ESTATE

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### Manhattan Apartment Sales Are Rebounding

A slowdown in apartment sales last year in Manhattan **eased during the first quarter of 2017**, according to a Wall Street Journal analysis of public-sales records. After sales plunged through most of last year, the number of sales closed during the first quarter bounced back, finishing just 4% below the first quarter of 2016, which was unusually strong.

## Here's What the New Waldorf Will Look Like

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*Skidmore, Owings & Merrill*

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The architectural design team **restoring the Waldorf Astoria hotel** aims to be painstakingly precise. When it comes to the color of the bricks, there is only one option: Waldorf gray. For the last year, a team at Skidmore, Owings & Merrill LLP has been diving into architectural archives, researching photos and, in some cases, unearthing pieces stored for decades to plan a restoration.

## Jersey City Creates 'No Knock' Registry as Relief From Realtors

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*Claudio Papapietro for The Wall Street Journal*

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Longtime homeowners in Jersey City, N.J., are trying to put the kibosh on endless aggressive real estate solicitations sparked by a hot property market. In response to complaints, the Jersey City Council unanimously passed **a resolution creating an anti-solicitation city program** referred to as a "No Knock" registry.

## New Yorkers, Don't Cry Over the One (Bedroom) That Got Away

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*Drew Angerer/Getty Images*

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During the last decade, despite a big dip during the Great

FHFA-19-0753-A-000397



Recession, average selling prices on Manhattan apartments rose 52%, **leaving many with tales of regret.**

- **Bottle Maker Quadruples Manhattan Office Space**
- **French Furniture Seller Opening Shop on Upper West Side**
- **Common Office Spaces Are Also Alluring to Clients**

---

## DESIGN

### Donald Judd's Private Retreat

*Martien Mulder for WSJ. Magazine*

WSJ. takes an exclusive tour of long-secluded spaces in **the Marfa compound designed by the artist**, as the Judd Foundation prepares to release some of his ready-made furniture for the first time next month.

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**Subject:** Real Estate: Miami Beach Penthouse, Now \$18 Million Cheaper

[The Wall Street Journal](#)

## REAL ESTATE

*By WSJ Real Estate*

### MANSION

## Martha's Vineyard vs. Nantucket: Vacationers Swear Loyalty to Only One

Jocelyn Filley for The Wall Street Journal

The two islands off Cape Cod are less than 20 miles apart, as the crow flies, and both are famed for their sweeping sandy beaches, historic New England charm and affluent summer residents. But despite these similarities, denizens of the two preppy enclaves are **fiercely loyal to their chosen island**. How the areas stack up in terms of home prices, luxury-market performance, celebrity cachet and New England charm.

## Miami Beach Penthouse, Now \$18 Million Cheaper

Lifestyle Production Group

In the struggling Miami Beach condo market, a penthouse that sought \$53 million in late 2015 is **now asking \$34,999,999**, or roughly \$18 million less.

## Rachael Ray Lists Southampton Home for \$4.9 Million

Brown Harris Stevens

Television personality and cookbook author **Rachael Ray is putting her Southampton home** on the market for \$4.9

FHFA-19-0753-A-000399

million. Renovated by Ms. Ray, the three-bedroom main house spans about 3,650 square feet. The kitchen includes a Wolf range, Sub-Zero refrigerator and dual beverage-cooling drawers.

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## COMMERCIAL REAL ESTATE

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### U.S. Attorney Subpoenas Kushner Cos. Over Investment-For-Visa Program

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Yuri Gripas/Agence France-Presse/Getty Images

Kushner Cos., the New York property development business owned by the family of White House senior adviser Jared Kushner, has been **subpoenaed by New York federal prosecutors** regarding its use of an investment-for-immigration program, according to people familiar with the matter.

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## HOUSE OF THE DAY

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### A Lodge in the Mountains of Montana

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Hall and Hall

Asking \$4.9 million, **this 70-acre property** comes with an 8,000-square-foot main lodge and a separate log house.

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## ‘Summer Bummer’ for Manhattan Luxury-Apartment Sales

Andrew Lamberson for The Wall Street Journal

Manhattan luxury-apartment sales have been **stuck in the doldrums this summer**, particularly units in flashy new developments.

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**Subject:** Real Estate: Retailers Post Strong Numbers — And Mall Shares Keep Falling

[The Wall Street Journal](#)

## REAL ESTATE

*By WSJ Real Estate*

### COMMERCIAL REAL ESTATE

## Retailers Post Strong Numbers — And Mall Shares Keep Falling

*Sarah A. Miller/Associated Press*

Mall landlords can't win. On a day when two major department stores posted stronger-than-expected sales numbers, **shares of mall REITs still tumbled**. The culprit? Worries about rising interest rates.

## Howard Hughes Corp. Thrives as Ackman Trims His Holdings

*Nikki Ritcher for The Wall Street Journal*

Howard Hughes Corp., the master-planned community developer chaired by hedge-fund manager William Ackman, **reported strong earnings this week** thanks partly to rising prices for developed land in the Houston and Las Vegas regions.

## Minority Homeownership Continues to Lag, Reports Say

*Joe Raedle/Getty Images*

Minority home buyers are **continuing to struggle despite recent rebounds** in the overall U.S. homeownership rate, according to two reports released this week. Meanwhile, **home prices continued to rise** rapidly in the waning days of 2017.



# Kushner Cos. in Talks to Buy Remaining Stake in 666 Fifth Ave.

Richard Drew/Associated Press

Kushner Cos. is **negotiating to buy the portion it doesn't already own of 666 Fifth Ave.**, the financially ailing Manhattan office tower that last year became a lightning rod for criticism of conflicts between a senior member of the Trump administration and his family's business interests.

- **Foreign Investors Pile Into U.S. Student Housing**

## MANSION

### A Belgian Beer Scion Makes a Home in a Brewery

Jasmine Van Hevel for The Wall Street Journal

Anne Vanneste, a co-owner of De Halve Maan, the oldest continuous brewery in Bruges, turned abandoned storage space at the family business into a stylish home. The 400-hundred-year-old building, with a 600-year-old basement, **now contains a 2,700-square-foot apartment** with two bedrooms, one bathroom and several outdoor spaces.

### Former AOL Exec Lists Home for \$15 Million

Randy Robinson

Steve Johnson, a tech entrepreneur and former AOL executive, is **listing his mid-1800s home in Cambridge, Mass.**, for \$15 million, making it one of the most-expensive homes on the market in the Boston area.

- **House Call: How Joan Baez Found Her Voice**

- **The Alleged \$1.2 Billion Ponzi Scheme Sapping L.A.'s Trophy-Home Market**

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## HOUSE OF THE DAY

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### A French-Inspired Home in Florida

*Brown Harris Stevens Miami*

Two architects **designed and built this house in Coral Gables**, which comes with a paneled library, oak trees and a terrace overlooking the pool.

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## GREATER NEW YORK REAL ESTATE

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### How to Rent a New York City Apartment Without Paying a Deposit

*Michael Noble Jr. for The Wall Street Journal*

In New York the rent is too darn high, and so is the security deposit. Now **some landlords are trying to lighten the burden**. Owners of some of New York City's largest apartment buildings are signing up for services that allow tenants to pay smaller, nonrefundable fees rather than plunking down hefty security deposits that will languish in low-interest bank accounts for years.

# New Office Space Created in Retail's Tumult

Erin Lefevre for The Wall Street Journal

Normandy Real Estate Partners found what it viewed as the perfect spot for a high-end Manhattan office development: the upper floors of the ABC Carpet & Home building, a retail industry landmark. As online shopping reshapes retailing, it is **reordering the real-estate market** as well.

- **Want to Buy a Luxury Hotel in the U.S.? Try China's Insurance Regulator**

## DESIGN

### Inside the Beautiful Home of Two Minimalist Tastemakers

Fabien Baron and Ludivine Poiblanç's knack for editing **makes for easygoing elegance** at their Greenwich Village townhouse.

### What 12 Design Pros Loved and Hated About Their Parents' Homes

Knoll, Inc.

We asked interior designers and architects to single out **the worst and best parts of their childhood homes' décor**. Among the scarring memories: 'barf floral' upholstery and torturously uncomfortable 'TV chairs.'

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[The Wall Street Journal](#)

## REAL ESTATE

*By WSJ Real Estate*

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### COMMERCIAL REAL ESTATE

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## U.S. Commercial Property Values Surge in Niche Sectors

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*Andrew Kelly/Reuters*

**Student housing performs well**, retail sector suffers

### Property Investors Scrounge Through Retail Ruins for Bargains

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*Sterling Organization*

Sterling Organization is part of a dwindling group of real-estate investors still **turning struggling properties around**

### Gap Sues Westfield Over Mall Expenses as Tensions Rise in Retail World

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*Gary Hershorn/Getty Images*

Other well-known retailers, such as Starbucks and Saks Fifth Avenue, have **duked it out with landlords** in court recently

- **House Price Jump Isn't a Home Run for Chinese Developers**

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## GREATER NEW YORK REAL ESTATE

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### N.Y. Housing Regulator Investigating Tenant Harassment Claims Against Kushner Cos.

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*Shannon Stapleton/Reuters*

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Real-estate firm denies allegations related to **renovation of Brooklyn apartment complex**

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## MANSION

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### Bel-Air Homes Duel to Become America's Most Expensive

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*Simon Berlyn*

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Celebrity plastic surgeon Raj Kanodia is **asking \$180 million** for his Los Angeles megamansion—\$8 million less than a neighboring property

### Where Denmark's Elite Go to (Modestly) Summer

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*Sveinung Bråthen for The Wall*

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*Street Journal*

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Homes in Skagen, about five hours from Copenhagen, **often lack luxury amenities**. Still, heiresses and CEOs attracted to its artsy history and sea views keep residences

### When a Beach Boy First Tasted the

# Ocean

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*Shayan Asgharnia for The  
Wall Street Journal*

---

Al Jardine **grew up moving around the country** with his family before settling in Los Angeles and meeting Brian Wilson

- **E-Commerce Entrepreneur to Pay a Record for New York Penthouse**
  - **A Luxury Room for a 4-Year-Old, With Space to Grow**
- 

## HOUSE OF THE DAY

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### Betty Moon's Los Angeles Resort Home

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*Jason Harlem*

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The singer-songwriter's **residence in Encino, Calif.**, comes with antique Balinese doors, a pool, sport court and theater. It is asking \$6.75 million

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# Regulation

Mar 1, 2018

## Top Stories

### How Ocwen plans to rebuild servicing scale with PHH deal

by BONNIE SINNOCK, BRAD FINKELSTEIN

Ocwen Financial Corp.'s acquisition of PHH Corp. will help the nonbank servicer rebuild scale that's been diminished by years of regulatory restrictions and the decline in distressed mortgage volume brought about by improvements in the overall housing market.

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### Kushner loan details sought from Deutsche Bank, two others

New York's banking regulator has asked Deutsche Bank and a pair of local lenders to provide information about their relationships with Jared Kushner, his family and the Kushner Cos., according to people familiar with the matter.

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### HomeStreet shoots down investor's effort to take two board seats

by HILARY BURNS

The Seattle company invalidated the proposal by Blue Lion Capital, claiming it fell short of its bylaw requirements.

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### Banks, retailers point fingers as lawmakers revisit data security bill

by IAN MCKENDRY

Financial institutions and retail companies are trading barbs over which industry poses greater risk to sensitive customer information just as lawmakers are planning to take another stab at a data security bill.

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### CFPB has plenty of options for slashing its budget

by KATE BERRY

The acting head of the Consumer Financial Protection Bureau has made clear he wants to rein in the bureau's spending, but what exactly he plans to cut is a mystery.

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At more than 80 million strong, Millennials are the largest generation ever.

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Disparate systems and outdated practices are limiting the ability of finance professionals to utilize nonfinancial data, forecast frequently, and engage with the right stakeholders.

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In financial services, contracts often exist in highly dispersed formats, with jurisdictional complexities and risk aspects that change over time—resulting in high levels of risk.

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## Retail and Commercial

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### Top Stories

#### College students pay for spring break with student loans

by PENNY CROSMAN

Are American college students using their student loan dollars wisely? A LendEDU study explored how those funds are spent.

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#### Here's how blockchain could help the mortgage industry

by MICHAEL E. REYEN

Governments are studying ways blockchain can safeguard property records and simplify how they get tracked.

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#### Are you prepared for FASB's new Current Expected Credit Losses (CECL) standard?

These five steps will get you started and save time.

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#### Kushner's N.J. Trump Tower got \$200 million Citigroup loan

Trump Bay Street, a New Jersey luxury apartment tower part-owned by Kushner Cos., received a \$200 million loan from Citigroup, according to two people familiar with the deal.

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#### SunTrust's CIO, CRE bridge lending and Amazon's long shadow: Top stories of the week

SunTrust's new IT chief preaches collaboration; will CRE securitizations return to haunt?; Amazon here, there and everywhere; and more.

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#### Two banks take equity stakes in online student lender CommonBond

by KEVIN WACK

Fifth Third and First Republic are among the investors in the company's \$50 million equity round.

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**Citi pays male staffers in U.K. 44% more than females**

Morgan Stanley also reported a wide disparity in gender pay, reflecting the greater proportion of men in top executive posts.

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**Umpqua beefs up wealth business in Southern California**

by LAURA ALIX

The Portland, Ore., company has hired four private bankers from City National as part of a broader effort to provide a full range of services to business owners and high-net-worth households in Orange County and San Diego.

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**Millennial workers can help community banks compete**

by CHRIS PETERSEN

Small institutions need to rethink their approach to younger employees, giving them more opportunities and responsibilities — and borrowing from their digital know-how.

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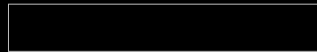
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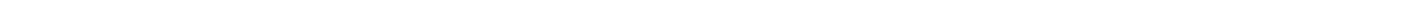
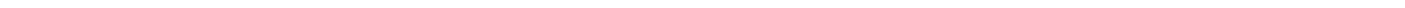
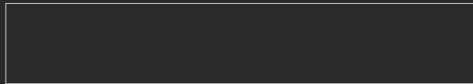
**Sent:** Saturday, August 04, 2018 6:02 AM EDT

**To:** Thompson, Sandra <Sandra.Thompson@fhfa.gov>

**Subject:** Saturday's Headlines: Alleged Russian agent Butina cozied up to ex-Trump aide near end of 2016 race



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**From:** POLITICO Pro Financial Services <politicoemail@politicopro.com>

**Sent:** Friday, August 04, 2017 5:18 AM EDT

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Morning Money FS: Welcome to jobs day — Treasury noms go through — Mortgage deduction at risk? — Admin now wants clean debt limit hike

By Ben White and Aubree Eliza Weaver | 08/04/2017 05:17 AM EDT

**WELCOME TO JOBS DAY** — President Donald Trump may not get a big number to brag about as he heads out on vacation. But expectations are for a very respectable 180K, down from 222K in June. The unemployment rate is expected to dip a tenth to 4.3 percent with wages up 0.3 percent.

A figure around 200K would put Trump at plus-1.3 million jobs over the first seven months of the year (though of course he wasn't president for most of January), slightly below the 1.4 million from the same period in 2016, the last year of President Obama's term. In other words: The trend is about exactly the same as it's been for years. There is no Trump effect.

**Moody's Mark Zandi emails:** "The economy produced approximately 190,000 jobs per month on average since the beginning of the year. This is almost precisely the same job growth experience since job growth resumed over 7 years ago.

**"President trump has had nothing to do with the strong job market** It was strong before the election, and it remains strong after it. Moreover, the administration has not accomplished anything of consequence with regard to economic policy"

**TREASURY NOMS GO THROUGH** — The Senate skipped town Thursday, joining the House, after clearing a big pile of nominations including David Malpass to be Under Secretary for International Affairs; Brent James McIntosh to be General Counsel; Andrew K. Maloney to be a Deputy Under Secretary; David J. Kautter to be an Assistant Secretary and Christopher Campbell to be Assistant Secretary for financial institutions.

**Despite his title, Campbell**, who spent years with the Senate Finance Committee, will spend much of his time early on working on tax reform. He's been deep in the weeds on the policy issues with the Gang of Six and will join with Justin Muzinich and others at Treasury as the administration and Hill Republicans try to have a legislative package ready in early September.

**ALSO CONFIRMED**, among others: J. Christopher Giancarlo, of New Jersey, to be Chairman of the Commodity Futures Trading Commission and Brian D. Quintenz and Rostin Behnam to be members of the CFTC.

**MORTGAGE DEDUCTION AT RISK?** — POLITICO's Colin Wilhelm and Lorraine Woellert: "A tax break popular with homeowners and the real estate industry could take a hit as Republicans look for ways to pay for their tax reform plan.

"Despite promises from the Trump administration in April that it would 'protect the homeownership ... deductions,[ multiple sources tracking tax reform said that the cap on the mortgage interest deduction — currently set at the interest on up to \$1 million of mortgage debt — could be lowered in tax reform." [Read more.](#)

**BIG SERVICES ISM MISS** — Via Bespoke Investment Group: "[N]ot only was the report much weaker than expected, but the commentary was a stark contrast to what we saw from respondents in the manufacturing sector. ...

"[M]ost respondents noted a slowdown, quiet time, flattening growth, and a slower than expected second quarter. ... As far as the actual report is concerned, the July ISM Services report came in at a level of 53.9 versus estimates for a level of 56.9"

**ADMIN NOW WANTS CLEAN DEBT LIMIT HIKE** — CNBC's John Harwood: "On the debt limit, White House budget director Mick Mulvaney says the entire administration now wants Congress to enact a 'clean' increase in the debt ceiling.

"Mulvaney has previously called for tying negotiated spending cuts to an increase, but he told a small group of journalists Thursday that Treasury Secretary Steven Mnuchin's call for an unencumbered increase has triumphed in internal deliberations." [Read more.](#)

**STILL NOT SO EASY** — POLITICO's Seung Min Kim and Rachael Bade:

"Republican congressional leaders are quietly preparing to pass a 'clean' debt ceiling increase, according to multiple senior GOP sources — setting the stage for a high-risk showdown with rank-and-file Republicans this fall. ...

"[B]eyond the leadership, there are few Republican takers, at least so far. GOP lawmakers in both chambers of Congress are calling for any debt ceiling hike to be accompanied by spending cuts or fiscal reforms — the same demand they made repeatedly during Barack Obama's two terms." [Read more.](#)

**MUELLER HEATS UP** — POLITICO's Darren Samuelsohn: "Special counsel Robert Mueller has impaneled a Washington grand jury for his Russia investigation, a key procedural step as he looks into potential collusion between ... Trump's 2016 campaign and Russia ...

"The sources said Mueller was now leaning on a closed-door panel housed at the federal courthouse on Constitution Avenue — just blocks from FBI headquarters and the Capitol — to present evidence and issue subpoenas as part of his expanding probe" [Read more.](#)

FHFA-19-0753-A-000420

**GOOD FRIDAY MORNING** — The House and Senate are gone! The President is leaving for vacation! Will we finally get some quiet time in August? Email me on [bwhite@politico.com](mailto:bwhite@politico.com) and follow me on Twitter [@morningmoneyben](https://twitter.com/morningmoneyben). Email Aubree Eliza Weaver on [aweaver@politico.com](mailto:aweaver@politico.com) and follow her on Twitter [@AubreeEWeaver](https://twitter.com/AubreeEWeaver).

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**MM MEDIA** — You can catch MM today on WNYC's "The Takeaway" talking Trump and markets and MSNBC around 9:30 a.m. talking about the jobs report.

**THIS MORNING ON POLITICO PRO FINANCIAL SERVICES — Victoria Guida: FED UP, VOCAL CENTRAL BANK CRITIC, CALLS FOR YELLEN'S REAPPOINTMENT** — "A progressive group that frequently criticizes the Federal Reserve wants to see Chair Janet Yellen stick around. Fed Up, a coalition of community groups, unions and policy experts, on Thursday released a report arguing that Fed policies piloted by Yellen helped make the Great Recession shorter than it otherwise would have been. 'Yellen and the Fed were actively trying to engineer recovery with monetary policy tools while fiscal policymakers were erecting roadblock after roadblock,' according to the report, written by the Economic Policy Institute's Josh Bivens and Fed Up campaign manager Jordan Haedtler. They added, 'Yellen and the Fed deserve more credit for the economic recovery than does any other policymaker or institution.'" [Read more.](#)

**HOLY NEWSWEEK COVER, BATMAN!** — Out Thursday night. Trump slumped in a leather easy chair with the remote and a bunch of junk food.

**Cover line: "LAZY BOY:** Donald J. Trump is bored and tired. Imagine how bad he'd feel if he did any work." [Image.](#)

**COMING SOON: PENCE TO AFP EVENT** — Per release out this a.m.: "Americans for Prosperity announced ... that Vice President Mike Pence will address hundreds of the group's grassroots volunteers at its signature annual event, the Defending the American Dream Summit @, being held for the first time in Richmond, Virginia on Saturday, August 19."

**NEW CFTC POD** — Per release: "The U.S. Commodity Futures Trading Commission (CFTC) launched a new podcast 'CFTC Talks' ... with special guest Acting Comptroller of the Currency Keith Norieka." [Check it out.](#)

**FIXING LIBOR** — Fed. Gov Jay Powell and CFTC Chairman Chris Giancarlo in a WSJ Op-Ed: "Libor has enormous implications for the U.S. It is cited in financial contracts setting \$150 trillion of dollar-denominated loans, securitizations and derivatives. But all has not been well with Libor." [Read more.](#)

**CHINA CALL DELAYED** — POLITICO's Andrew Restuccia and Tara Palmeri: "A planned Friday announcement of ... Trump's trade action against China has been postponed, two people familiar with the issue said.

"Sources previously told POLITICO Trump was slated to hold an event at the White House on Friday in which he would direct U.S. Trade Representative Robert Lighthizer to open an investigation under Section 301 of the Trade Act of 1974 over what the administration views as Chinese violations of U.S. intellectual property rights and forced technology transfer"

**STOCKS SLIP, WITH BIGGER LOSSES FOR SMALLER COMPANIES** — AP's Marley Jay: "Losses for energy and technology companies left most U.S. stocks lower on Thursday. Smaller companies fared worse as the dollar remained at 15-month lows.

"Energy companies weakened as the price of oil turned lower, and technology companies declined as Apple gave up a piece of its big gain from the day before. Investors bought government bonds after some shaky economic news in the U.S. and the U.K." [Read more.](#)

**WHY DO STOCKS KEEP HITTING RECORDS?** — WSJ's Akane Otani and Chris Dieterich: "1) Stocks reflect the resurgent health of American corporations; 2) The global outlook is looking brighter; 3) The U.S. economy is in a 'Goldilocks' situation; 4) Passive funds are propping up prices; and 5) There is no alternative." [Read more.](#)

**TRUMP PRAISES STOCK MARKET** — NYT's Alan Rappeport: "As America's stock markets have reached record highs, they have had few louder cheerleaders than President Trump. 'Highest Stock Market EVER,' he said on Twitter on Monday.

"Before the stock exchanges' opening bell on Tuesday, Mr. Trump pointed out in a tweet that the Dow Jones industrial index's recent surge started just after he was elected. (He also lamented, incorrectly, that the press was downplaying that fact: 'Mainstream media seldom mentions!') And on Thursday, Mr. Trump made clear that he thinks he deserves credit for the latest record high, tweeting, 'That doesn't just happen!'" [Read more.](#)

**BUSINESSES FEAR TRUMP MISHANDLING OF** — Reuters' Ginger Gibson: "Trump's threat to investigate China's intellectual property and trade practices is valid, but his administration may not be up to the delicate task of carrying out a new China probe without sparking a damaging trade war, U.S. business lobbyists told Reuters on Thursday.

"The lobbyists' fears that Trump could mishandle such an inquiry came as he searched for ways to increase pressure on China to do more about reining in North Korea's nuclear and missile programs, with trade policy viewed as a useful lever." [Read more.](#)

While 19 percent of small businesses planned to beef up their workforce, the biggest share in more than a decade, 35 percent said they were having trouble filling positions in July, National Federation of Independent Business data showed Thursday.

"Finding qualified workers was second only to taxes as companies' single most important problem. Of those rejecting job applicants, 26 percent cited a lack of specific skills, 14 percent pointed to sub-par social skills and 10 percent said drug issues were to blame." [Read more.](#)

**GLOBAL INFLATION HITS LOWEST LEVEL IN 8 YEARS**— WSJ's Paul Hannon: "Inflation in the Group of 20 largest economies fell to its lowest level in almost eight years in June, deepening a puzzle confronting central banks as they contemplate removing post-crisis stimulus measures.

"The [OECD] said Thursday that consumer prices across the G-20 — the countries that accounts for most of the world's economic activity — were 2 percent higher than a year earlier. The last time inflation was lower was in October 2009, when it stood at 1.7 percent, as the world started to emerge from the sharp economic downturn that followed the global financial crisis." [Read more.](#)

**KUSHNER COMPANIES SAID TO BE UNDER INVESTIGATION**— NYT's Jesse Drucker and Adam Goldman: "Federal prosecutors are investigating Kushner Companies, the real estate firm owned by the family of Jared Kushner, the president's son-in-law and senior adviser, over its use of a program that grants visas to wealthy overseas investors.

"The authorities, in part, are looking into the role of Mr. Kushner's sister, Nicole Meyer, according to a person familiar with the matter who confirmed the inquiry. The investigation centers on the real estate company's use of the so-called EB-5 program, which offers visas to foreigners in exchange for a \$500,000 investment. Critics say the program has weak oversight and lax rules." [Read more.](#)

**IMF FACES INTERNAL RESISTANCE** — WSJ's Ian Talley: "Top International Monetary Fund brass pushing to bolster the global lender's corruption surveillance are facing pushback from some member countries worried their economies risk being named and shamed. Sean Hagan, the IMF's top legal counsel, and other senior officials are exploring how the fund should strengthen the institution's oversight of corruption as critical to ensuring economic health.

"The IMF's executive board said the fund's policy department should probe ways the emergency lender can better call out corruption ailing many economies around the world." [Read more.](#)

**ECB REINVESTMENT FLOWS ARE 'SILENT STIMULUS'** — FT's Mehreen Khan: "Global investors are preoccupied by speculation about the European Central Bank's tapering plans, but another strand in its more than two-year experiment with bond buying is starting to garner attention.

"Under its quantitative easing policy, the ECB in March began reinvesting all the money of the maturing debt from its €4.2tn balance sheet back into the eurozone bond market. This will accelerate in the coming months and years as more of the central bank's portfolio of bonds mature." [Read more.](#)

**BOSTON HEDGE FUND MANAGER ARRESTED** — Bloomberg's Ivan Levingston: "Boston-area hedge fund manager Raymond Montoya, who led the RMA Strategic Opportunity Fund LLC, was arrested and charged by federal prosecutors with running a Ponzi scheme.

"The federal charges on Wednesday followed a civil lawsuit in June in which the Massachusetts Securities Division claimed Montoya committed securities fraud when he told investors that he had \$5 billion of assets in his fund in 2015. In sworn testimony, he said the fund's high-water mark was about \$20 million." [Read more.](#)

**SOFTBANK'S NEW FINTECH INVESTMENT** — Reuters' Anna Irrera: "Kabbage Inc, a U.S. online lender for small businesses, said on Thursday it had raised \$250 million in equity funding from SoftBank Group Corp, the latest fintech investment by the Japanese technology conglomerate.

"That is the largest equity investment in such lenders outside of China so far, according to data provider CB Insights. The Atlanta-based startup, which operates in North America and Europe, will use the cash to add lending products and other types of financial services, it said in a statement." [Read more.](#)

## ALSO FOR YOUR RADAR —

**COIN CENTER FILES BRIEF** — POLITICO's Colin Wilhlem: "Coin Center, a D.C.-based, digital currency-focused think tank, filed an amicus brief late on Thursday on behalf of Coinbase, the largest digital currency exchange in the U.S. The IRS has pushed for two years' worth of comprehensive user records from Coinbase in an important case for the burgeoning technology." [Read the brief.](#)

**NEW AT THE ABA** — Via release going out Friday: The American Bankers Association's Nominating Committee has selected the official slate of candidates for ABA officers for election at the association's annual convention to be held in Chicago, October 15-17. Chairman: Kenneth L. Burgess, Jr., chairman, FirstCapital Bank of Texas, Midland, Texas;

Chairman-elect: Jeffrey M. Szyperski, chairman, president and CEO, Chesapeake Bank, Kilmarnock, Va.; VICE CHAIRMAN: Laurie L. Stewart, president and CEO, Sound Community Bank, Seattle; and Treasurer: George W. Hermann, FHFA-19-0753-A-000422



president & CEO, Windsor Federal Savings, Windsor, Conn"

**NEW FIN TECH PAPER** — Milken Institute's Jackson Mueller has a new paper out today: "FinTech: Considerations on How to Enable a 21st Century Financial Services Ecosystem." [Read more.](#)

## CALENDAR:

8:30 a.m.: The Bureau of Labor Statistics will release its monthly job numbers report.

*Did we miss anything? Let Morning Money know about future events:*[financecalendar@politicopro.com](mailto:financecalendar@politicopro.com)

To view online:

<https://www.politicopro.com/tipsheets/morning-money-fs/2017/08/welcome-to-jobs-day-024083>

## Stories from POLITICO Pro

### **GOP clash looms over raising the debt ceiling** [Back](#)

By Seung Min Kim and Rachael Bade | 08/03/2017 05:07 AM EDT

Republican congressional leaders are quietly preparing to pass a "clean" debt ceiling increase, according to multiple senior GOP sources — setting the stage for a high-risk showdown with rank-and-file Republicans this fall.

Trump administration officials, led by Treasury Secretary Steven Mnuchin, are imploring Congress to raise the \$19.8 trillion debt limit with no strings attached by the end of September. And Senate Majority Leader Mitch McConnell and Speaker Paul Ryan — well aware they need Democrats to pass any debt bill through the Senate — are on board, albeit begrudgingly so.

But beyond the leadership, there are few Republican takers, at least so far. GOP lawmakers in both chambers of Congress are calling for any debt ceiling hike to be accompanied by spending cuts or fiscal reforms — the same demand they made repeatedly during Barack Obama's two terms.

That means McConnell (R-Ky.) and Ryan (R-Wis.) will have to rely on Democrats and enough moderate Republicans to help them avert a financial catastrophe by Sept. 29, the day Treasury exhausts its borrowing authority and the very last day for Congress to act.

"We shouldn't even play with that. It should just be 'clean,'" said Senate Finance Committee Chairman Orrin Hatch (R-Utah), who supports McConnell's strategy. "Some conservatives think they can get some programs cut. Well, that's not gonna happen ... We have to pay our bills and anybody who doesn't want to do that doesn't deserve to be here."

Compare that with Sen. James Lankford's take: The Oklahoma Republican flatly responded "no" when asked whether GOP leaders should move a so-called clean debt limit increase.

"You should never have a time that we deal with the debt ceiling that we're not dealing with the reason that we have debt ceilings," Lankford said. "And that's the debt and deficit. So they should always be combined in some way."

Meanwhile, Democrats, who time and again have coughed up votes to allow the GOP to avoid crises, are mulling their own demands with a Republican now in the White House. Some Senate Democrats have floated seeking a reauthorization of health insurance programs for low-income children in return for their support. And House Democrats likewise are considering a play to leverage their own priorities.

The upshot: Congress will return next month from August recess with no clear road map for avoiding the first-ever default on the nation's debt.

McConnell is already privately raising the issue with fellow GOP senators, according to one senior GOP aide. Top Republicans are eager to avoid a repeat of the 2011 standoff between Congress and the Obama White House that led to a downgrade of the nation's sterling credit rating.

Spokesmen for the majority leader declined to comment on McConnell's debt limit strategy. But some other senior Republicans are backing up McConnell, warning lawmakers of the consequences of tangling over the nation's debt limit, particularly with the party controlling all levers of power in Washington.

"We're going to need to raise the debt limit," Senate Majority Whip John Cornyn (R-Texas) said. "We're talking about different options."

One option being considered is to roll a debt ceiling increase into a spending bill that must pass by Sept. 30 to avoid a federal government shutdown. Moderate Republicans in the House, including Rep. Charlie Dent of Pennsylvania, a leader of the Tuesday Group, have been imploring House leaders to champion such a package as well.

Some Hill Republicans have suggested that rolling a debt increase in with a bipartisan budget deal would not be "clean" per se. But others do view such a strategy as a "clean" increase, since it would not include dollar-for-dollar offsets or partisan policy riders pushed by either side.

Complicating the task is the fact that Trump administration officials have sent conflicting signals about how they want the debt ceiling to be handled.

Though Mnuchin has been the dominant voice of the administration on this issue, Office of Management and Budget Director Mick Mulvaney earlier this year insisted that spending cuts or other reforms should be part of any debt hike, even as he's indicated Treasury is taking the lead.

Mulvaney took a hard line on the debt ceiling as a member of the House before his elevation to the Cabinet. And his view has plenty of support in Congress.

"If there's ever a good example of kicking the can down the road, it is continually raising the debt ceiling and not dealing with the cause of the debt," said Sen. Steve Daines (R-Mont.). "So it concerns me greatly that it'll just be another punt if we don't do anything, at least some structural reform."

In the House, Ryan and his leadership team are waiting for the Senate to act first. While they have not publicly endorsed a "clean" debt ceiling approach, House GOP leaders are preparing to push whatever the Senate passes and clear it for President Donald Trump's signature.

They know that it's likely to be a straight debt ceiling hike. And some in House leadership are dreading the fight it will spark with the right flank of their conference.

They know they'll have to rely heavily on House Minority Leader Nancy Pelosi (D-Calif.) for votes to pass any deal. All but perhaps a couple dozen moderate-minded House Republicans, leadership sources predict, will vote against a bill raising the nation's borrowing limit without equivalent spending cuts — so Ryan will need every Democrat Pelosi can get.

Democrats don't want to risk defaulting on the debt. But they're also concerned that after offering up their votes to Republicans to clear the debt ceiling hurdle, Republicans will promptly turn around in October and pass tax cuts that could balloon the deficit and disproportionately benefit the wealthy.

So Democrats are waiting for Republicans to reveal their strategy before going public with their own demands.

"You know what? They are in charge. They have a majority in the House and in the Senate and the White House and so they have to make the decisions governing," said Sen. Debbie Stabenow of Michigan, the fourth-ranking Senate Democrat. "We'll work with them but they're gonna have to step up."

The likelihood that House leaders will have to lean on Democrats could undermine Ryan's political standing. Conservatives drove out ex-Speaker John Boehner (R-Ohio) because he sometimes violated a GOP tradition known as the Hastert Rule, which dictates that a "majority of the majority" must support legislation.

Ryan, for the first time, will probably have to break that unofficial agreement. Most of his 240-member conference is expected to oppose a clean debt ceiling bill.

Conservatives in the House Freedom Caucus have made demands to support a debt increase, including steep cuts to mandatory programs. But GOP leaders under their current strategy will, in essence, ignore conservatives because they can't give them what they want and expect it to clear the Senate's higher, 60-vote threshold.

During an Americans for Prosperity speech Wednesday, Freedom Caucus Chairman Mark Meadows seemed to acknowledge that conservatives would get squeezed. While the North Carolina Republican prefers spending cuts, he said a "clean" increase was also a possibility — and he assured the audience that he wanted no part of the government defaulting on its debts.

"I think that we ought to attach something to it," he said, later adding: "Either that will get done or a clean debt ceiling will get done. We will raise the debt ceiling and there shouldn't be any fear of that."

The headache for Ryan on the debt ceiling, however, won't just be from the Freedom Caucus. Even some Ryan allies have said privately they would never back a clean debt ceiling increase. Many of them campaigned promising to lower, not increase, the debt.

House GOP leaders, however, could receive cover from the White House. And centrist Republicans will also likely go along.

Still, the call for cuts from the base won't be easy to resist for some.

"I wish we could tie things to it," said Sen. Richard Shelby (R-Ala.). "But can we? I don't know."

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**Mueller taps Washington grand jury in Russia probe**[Back](#)

Special counsel Robert Mueller has tapped a Washington grand jury for his Russia investigation, a key procedural step as he looks into potential collusion between President Donald Trump's 2016 campaign and Russia, three sources familiar with the investigation said.

The sources said Mueller was now leaning on a closed-door panel housed at the federal courthouse on Constitution Avenue — just blocks from FBI headquarters and the Capitol — to present evidence, question witnesses and issue subpoenas for business and financial records as part of his expanding probe.

Mueller's spokesman declined to comment. A top Trump White House lawyer told reporters he wasn't aware of the move, which was first reported Thursday by The [Wall Street Journal](#).

"Grand jury matters are typically secret," Ty Cobb, who started this week as Trump's new special counsel, said in a statement released to reporters by White House press secretary Sarah Huckabee Sanders.

"The White House favors anything that accelerates the conclusion of his work fairly," Cobb said, noting the White House is "committed to fully cooperating" with Mueller.

Another Trump attorney, Jay Sekulow, called Mueller's use of a Washington grand jury — which is made up of a group of ordinary citizens — a "standard prosecutorial approach."

"This is not an unusual move in a manner like this for Bob Mueller to move expeditiously through the process," Sekulow said during a Thursday afternoon appearance on Fox News.

This isn't the first grand jury tied to the Russia probe. With Mueller's appointment in May, he inherited the work that federal prosecutors had already done with a grand jury in Alexandria, Va., related to the FBI's ongoing investigation into former White House national security adviser Michael Flynn over his foreign lobbying disclosures and contacts with Russian officials prior to the January inauguration. Mueller has also brought on to his team Brandon Van Grack, a DOJ prosecutor who was leading the Flynn-specific probe when it was housed in Northern Virginia.

Mueller's probe — which now includes 16 attorneys — is covering a wide range of issues related to the 2016 election, including financial ties between Russia, Trump and his business partners; the hacks into the Democratic National Committee and Hillary Clinton's campaign manager, John Podesta; and Trump's decision in May to fire FBI Director James Comey.

According to a [Reuters report Thursday](#), Mueller has already issued grand jury subpoenas tied to the widely reported June 2016 meeting at Trump Tower where Donald Trump Jr., Jared Kushner and Trump campaign manager Paul Manafort met with a Russian lawyer who had promised them dirt on Clinton.

A former Justice Department official said Mueller's use of a Washington grand jury is a strong signal the Russia probe has more than one line of inquiry cooking.

"It suggests he's got multiple work streams going on and wants to do a higher volume than if they're just using Virginia," the former DOJ source said.

Mueller, a former George W. Bush-appointed FBI director, and his team of experienced lawyers, including Deputy Solicitor General Michael Dreeben, are also familiar with Washington courts, and their use of a local jury also makes sense "as a matter of convenience," the source said.

"Logistically, it's a whole lot easier getting from the Mall to federal court in Washington," the source said. "They're three blocks away as opposed to five miles away to get to Alexandria."

Sam Buell, a former federal prosecutor who worked with one of Mueller's top deputies prosecuting Enron executives in the early 2000s, said he wasn't surprised by the shift to a Washington grand jury for subpoenas, testimony, immunity orders and all of the other legal maneuvers that are part of complex white-collar investigations.

"This is inevitable and expected," he said. Buell explained that Mueller would likely want to lean on a new federal grand jury, namely for timing purposes since most panels last 18 months, with extensions available upon request. "Any existing grand jury may expire too soon — and would be taken up with other matters as well," he said.

*Josh Dawsey and Negassi Tesfamichael contributed to this report.*

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**Fed Up, vocal central bank critic, calls for Yellen's reappointment**[Back](#)

A progressive group that frequently criticizes the Federal Reserve wants to see Chair Janet Yellen stick around.

Fed Up, a coalition of community groups, unions and policy experts, today released a [report](#) arguing that Fed policies piloted by Yellen helped make the Great Recession shorter than it otherwise would have been.

"Yellen and the Fed were actively trying to engineer recovery with monetary policy tools while fiscal policymakers were erecting roadblock after roadblock," according to the report, written by the Economic Policy Institute's Josh Bivens and Fed Up campaign manager Jordan Haedtler.

They added, "Yellen and the Fed deserve more credit for the economic recovery than does any other policymaker or institution."

The endorsement is striking from a group that earlier this year blasted the Fed for ignoring "the voices of workers who have repeatedly met with them" by hiking interest rates.

"Although we've been critical, although we've even protested Janet Yellen, the data is just so overwhelming that we have to admit she is the best choice to be the next Federal Reserve chair," said Fed Up co-Director Shawn Sebastian on a press call.

Fed Up has pushed the Fed to increase transparency and diversity, and to allow employment and wages to rise more before further raising rates.

"If she is not reappointed as chair, she should remain on the Board of Governors until her 14-year board term expires in 2024," said the report, titled "Impressive, Incomplete and Under Threat: Janet Yellen's Legacy at the Federal Reserve."

**WHAT'S NEXT:** Yellen's term as chair ends at the beginning of February. President Donald Trump has not ruled out her reappointment.

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**From:** Pro Report <politicoemail@politicopro.com>

**Sent:** Monday, March 27, 2017 5:52 PM EDT

**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Pro Report: Spicer: Trump to drive tax reform train — White House looking to EOs, Democrats for policy wins — Judiciary Democrats delay Gorsuch vote

By Maggie Chan | 03/27/2017 05:47 PM EDT

**Good afternoon and welcome to Pro Report**, your daily rundown of the day's top policy news. I'm your host, Maggie Chan. Send feedback and song recs to [mchan@politico.com](mailto:mchan@politico.com) and follow me [@\\_maggiechan](https://twitter.com/_maggiechan) on Twitter. Don't forget to follow [@POLITICOPRO](https://twitter.com/POLITICOPRO). "Lately I am beginning to find that I should be the one [behind the wheel](#)." Let's get started.

**SPICER: TRUMP TAKING LEAD ON TAX REFORM:** House Republicans took the lead on health care legislation, and we all know how that turned out. And the White House does too, so President Donald Trump is taking the wheel on tax reform, press secretary Sean Spicer [said](#) today. "Obviously, we're driving the train on this," Spicer said at his daily press briefing. "We're going to work with Congress on this. But I think the president, as you've heard multiple times, the president has made very clear this is a huge priority for him, something he feels passionately about." Spicer wouldn't commit to Treasury Secretary Steven Mnuchin's timeline that tax reform would be finished by August. Members of the House Ways and Means Committee planned to meet on the issue today.

**GOP divisions won't go away though:** "Republicans are starting out in a hole with a linchpin of the House plan — a proposal to create a border-adjustable business tax — on life support," [reports](#) Pro Tax's Brian Faler. The border adjustment tax is hated by retailers and businesses that import their goods — not to mention some senators are skeptical of it and so was Trump at one point. The House GOP tax plan would also "cut the top tax rate individuals pay to 33 percent, which Trump has also backed. But [Trump] has called for lower rates on corporations and other businesses than House Republicans," reports Pro Tax's Aaron Lorenzo. "They might also differ on whether to raise the same amount of money through taxes as the current tax code does. Economic growth from changing tax laws could make up any difference, Spicer suggested."

**Tax reform vs. Trump orbit's business interests:** "Trump and some of his most prominent advisers may soon face a high-profile test of how to balance their business interests with public policy as Congress attempts to reform the tax system," [reports](#) Pro Tax's Colin Wilhelm. "Trump and his daughter Ivanka have clothing lines that are imported and would be subject to the tax. Ivanka Trump recently decided to take an unusual non-employee advisory role in the White House, and though her lawyer claims that she has divested from millions in stock, she still owns her clothing line. ... The House plan would also eliminate the net interest deduction for corporate debt, a provision of the tax code frequently used by commercial real estate companies like the Trump Organization and the Kushner Companies, in which Jared Kushner, Trump's son-in-law turned senior adviser, still holds a stake. Kushner's policy portfolio includes taxes, which he has discussed at length with Ryan in his official capacity as a White House adviser. A source familiar with the nature of the conversations said that Ryan had specifically pitched Kushner on border adjustment."

**W.H. LOOKS TO EXECUTIVE ORDERS, DEMOCRATS TO MAKE POLICY:** After suffering an embarrassing face-plant over Obamacare, the White House is finding other "ways to score their boss a few wins and reassessing future friends and foes," [reports](#) POLITICO's Tara Palmeri. Trump's chief strategist, Steve Bannon, told POLITICO there would be "action, action, action" from the White House this week. "Expect executive orders this week on trade, energy and environmental regulations, he said in a text message." EPA Administrator Scott Pruitt confirmed Trump on Tuesday would [sign](#) an "energy independence" executive order directing his administration to undo a host of Obama-era environmental actions.

**Looking across the aisle:** "Some in Republican leadership even saw a silver lining in Trump's defeat — he may have figured out who he can work with on the Hill. They're hoping that Trump has realized out it's useless dealing with the House Freedom Caucus that they believe moved the goalpost on the health care bill many times without ever committing to the vote. One senior administration official says the White House now has their eyes on courting moderate Democrats," Tara adds. "That official said they plan to reach out to House Minority Whip [Steny Hoyer](#) and other rank-and-file Democrats who they think will be amenable to infrastructure spending and tax reform. The White House has already made contact with the Congressional Black Caucus." Meanwhile, House Minority Leader [Nancy Pelosi](#) is regaining relevance as the Freedom Caucus continues to stall the GOP agenda. "Republicans have turned to Pelosi for years to deliver Democratic votes on must-pass legislation to keep the government open and raise the debt ceiling," [writes](#) POLITICO's Heather Caygle, and now it looks like GOP leaders and Trump might have to go that route once again.

**CRA resolutions keep coming:** The White House may not be making much progress on its own regulations, but it's continuing to repeal Obama-era rules at a rapid clip. Trump today "signed a bill repealing the Interior Department's updated land-use planning process that fossil fuel energy companies complained would reduce access to resources on federal lands," [reports](#) Pro Energy's Esther Whieldon. Trump today also [signed](#) two Congressional Review Act resolutions that roll back a school accountability regulation and rules governing teacher preparation programs. He was also expected to add his signature to a CRA that would [block](#) regulations that require prospective federal contractors to disclose previous labor law violations when bidding for large contracts.

The House votes Tuesday on a CRA resolution rolling back the FCC's broadband privacy rules that would head to Trump's desk if it passes. And the Senate is expected this week to [overturn](#) two Department of Labor rules that concern retirement savings.



**Vacancies still a problem:** "The vast number of vacancies at the top of agencies like EPA and the Department of Energy could stall" Trump's goal of overhauling environmental and energy policy through executive orders and steep spending cuts, [reports](#) Pro Energy's Eric Wolff. "Without the political appointees to support EPA Administrator Scott Pruitt and Energy Secretary Rick Perry, Trump's policy priorities will depend on career officials serving in acting capacities to fulfill his orders — which could encounter bureaucratic inertia or even resistance from government employees who are reluctant to unravel measures they developed under the Obama administration. ... So far the White House is lagging the pace of previous administrations in sending names to the Senate to fill 1,100 positions it must consider. And Trump has indicated he may not seek to fill every post."

**SENATE DEMOCRATS DELAY PANEL VOTE ON GORSUCH:** In a surprise to no one, Senate Judiciary Democrats today pushed off a vote for Supreme Court nominee Neil Gorsuch until April 3, kicking off a Senate showdown over his confirmation. The committee was slated to vote today, but any member can ask for a nomination to be held over one week. Republican leaders still hope "to get Gorsuch confirmed before senators leave town for the two-week Easter recess starting April 8," [reports](#) POLITICO's Seung Min Kim. The delay also affects the confirmations of Rod Rosenstein for deputy attorney general and Rachel Brand for associate attorney general.

**Q&A WITH REP. JOE WILSON:** The new chairman of the House Armed Services Readiness Subcommittee sat down with Pro Defense's Gregory Hellman to talk about, among other issues, boosting the size of the military and his support for the \$640 billion Defense Department budget for fiscal 2018 that's being promoted by the chairmen of the Senate and House Armed Services committees, Sen. [John McCain](#) (R-Ariz.) and Rep. [Mac Thornberry](#) (R-Texas). More [here](#).

## CALENDAR FOR TUESDAY

— President Donald Trump is expected to [sign](#) an "energy independence" executive order directing his administration to undo a host of Obama-era environmental actions.

— The House votes on the CRA resolution to roll back the FCC's broadband privacy rules.

— 10:30 a.m.: Secretary of State Rex Tillerson meets with the foreign ministers of Latvia, Lithuania and Estonia. State Department.

— 12:30 p.m.: Federal Reserve Chair Janet Yellen delivers keynote remarks at the NCRC's annual conference. Capitol Hilton Hotel.

— 2:30 p.m.: Defense Secretary Jim Mattis and Joint Chiefs Chairman Gen. Joseph Dunford testify at a closed Senate Armed Services Committee briefing on "Department of Defense Worldwide Policy and Strategy and the FY2017 Defense Supplemental Budget Request." SVC-217.

**That's all for today.**

*To view online:*

<https://www.politicopro.com/tipsheets/pro-report/2017/03/spicer-trump-to-drive-tax-reform-train-022056>

## Stories from POLITICO Pro

**White House 'driving the train' on tax reform, Spicer says**[Back](#)

By Aaron Lorenzo | 03/27/2017 04:19 PM EDT

President Donald Trump wants to take the lead on tax reform, White House press secretary Sean Spicer said today, after House Republican leaders couldn't shepherd healthcare legislation through their chamber.

"Obviously, we're driving the train on this," Spicer said at his daily press briefing. "We're going to work with Congress on this. But I think the president, as you've heard multiple times, the president has made very clear this is a huge priority for him, something he feels passionately about."

Members of the House tax-writing committee plan to meet Tuesday on tax reform, pivoting from the failed bill to repeal and replace Obamacare that they had a big hand in shaping.

The leading House GOP tax plan would cut the top tax rate individuals pay to 33 percent, which Trump has also backed. But he has called for lower rates on corporations and other businesses than House Republicans.

They might also differ on whether to raise the same amount of money through taxes as the current tax code does. Economic growth from changing tax laws could make up any difference, Spicer suggested.

"There's a question about what part of tax reform, especially on the corporate side, will help us spur the economy and grow jobs," he said. "And I think that's more of the driver of this and then I think as it evolves we'll have the score and we'll know more."

Spicer wouldn't commit to having tax reform done by August, a timeline laid out by Treasury Secretary Steven Mnuchin. "I think it depends ... These are big things, Spicer said.

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## Policy clashes could lead to another stumble on tax reform [Back](#)

By Brian Faler | 03/27/2017 04:58 PM EDT

Republicans don't agree on tax reform either.

With the collapse of their Obamacare-repeal plan, Republicans say they're moving on to tax reform, an issue they say they'll have a much easier time addressing.

While it's true they generally see eye-to-eye on the importance of overhauling the tax code, Republicans are divided over how, with no consensus on such basic issues as whether it can add to the deficit, which income classes should benefit and which end of Pennsylvania Avenue should take the lead.

What's more, while many observers were surprised by the Obamacare repeal debacle, after Republicans had campaigned on it for seven years, they've struggled for nearly as long to agree on the details of any tax reform — ever since they took control of the House in 2011.

Some say the failure to rescind the Affordable Care Act underscores how Congress loves to give, but has a difficult time taking away — and that lawmakers will find it no easier killing longstanding tax provisions needed to finance any overhaul than they did slashing Medicaid for the poor.

"Going down on health care doesn't help build confidence that you're going to be able to pull off tax reform," said Pete Davis, a former longtime congressional budget aide who now runs Davis Capital Investment Ideas, an advisory firm. "I can assure you that tax reform is just as hard as health care reform."

And yet their defeat on the Affordable Care Act is cranking up the pressure on Republicans to produce on a tax-code rewrite.

Republicans are starting out in a hole with a linchpin of the House plan — a proposal to create a border-adjustable business tax — on life support.

What's more, the Affordable Care Act debacle means they'll have to decide whether to spend precious budget savings to repeal tax increases that undergirded the law, such as a hated surtax on investments by the wealthy, or ratchet back their tax reform plans.

Given their determination to cut tax rates on both corporations and the ultra-wealthy, any overhaul — like the Obamacare repeal — is likely to be a Republican-only affair, giving them narrow margins for error.

In some of the administration's most extensive public comments on tax reform thus far, Treasury Secretary Steven Mnuchin predicted Republicans would have an easier time dealing with taxes than health care.

"Health care and tax reform are two very different things," he said in an appearance Friday, before the Obamacare repeal bill was yanked.

Health care is a "very, very complicated" issue while tax reform is "a lot simpler" because there is "very, very strong support" for cutting rates and making the code more transparent.

House Ways and Means Chairman [Kevin Brady](#), meanwhile, said he wants his panel to formally take up legislation this spring.

But Republicans still don't agree on such 30,000-foot level questions like whether they want tax reform or just an old-fashioned tax cut. Fresh off their victory killing Republicans' ACA repeal bill, Rep. [Mark Meadows](#), head of the Freedom Caucus, said he prefers a tax cut, despite House leaders and top Trump economic adviser Gary Cohn committing to budget neutrality.

"Does it have to be fully offset? My personal response is no," Meadows said Sunday on ABC's "This Week."

On Fox Business News, meanwhile, Brady urged the Trump administration — which has been working on its own tax-reform proposal that Mnuchin said will be unveiled "pretty soon" — to adopt the House plan.

"We have so much in common with the Trump administration — it wouldn't make sense to have a separate bill from Secretary Mnuchin, a separate one from Gary Cohn, a third one from whomever," said Brady.

"Why not take the basis of the House plan?" he asked.

Asked Monday who is writing the tax plan, White House press secretary Sean Spicer said: "Obviously, we're driving the train on this."

"We're going to work with Congress on this, but I think the president" believes "this is a huge priority" and is "something he feels very passionately about," said Spicer.

And Republicans appear to be at odds over who ought to benefit from any overhaul.

Though previous Trump plans were projected to overwhelmingly benefit the wealthiest, Mnuchin said last week that "we are very conscious about what the distribution is" and "our primary focus on a tax cut for the middle-income and not the top one percent."

Yet last year, Speaker [Paul Ryan](#) said, "I do not like the idea of buying into these distributional tables." What's important, he said, is designing a plan to promote economic growth — not worrying if one income group does better than another. "[Bernie Sanders](#) talks about that stuff — that's not who we are," Ryan said.

While it is true that, unlike health care, taxes are a bedrock issue for Republicans, they've struggled for years to move beyond platitudes.

When Republicans took control of the House back in 2011, they initially punted that issue to then-House Ways and Means Chairman Dave Camp. But when he finally unveiled his three-years-in-the-making plan, Republicans walked away from the proposal because it killed hundreds of provisions yet barely touched the top individual tax rate and was projected to only have a ho-hum impact on the economy.

When Ryan became speaker, he tried a bottom-up approach to tax reform, by first getting his colleagues to agree on the basics of a plan before sending it off to Ways and Means to fill in the details.

It hasn't worked out exactly to plan. After the election, when the "Better Way" proposal suddenly became a lot more relevant with the Republicans' victory, it quickly became clear that many House Republicans didn't really understand the proposal, and the idea has taken a beating in both chambers of Congress, threatening to blow a huge hole in the tax-reform math.

The border-adjustment issue has so dominated the tax-reform debate that some say lawmakers have barely begun to consider the myriad other hugely controversial changes the plan would make.

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#### **Key pieces of tax reform collide with White House business interests**[Back](#)

By Colin Wilhelm | 03/27/2017 05:03 AM EDT

President Donald Trump and some of his most prominent advisers may soon face a high-profile test of how to balance their business interests with public policy as Congress attempts to reform the tax system.

Two of the most fought over aspects of the tax blueprint drafted by House Speaker [Paul Ryan](#) and Ways and Means Chairman [Kevin Brady](#) would directly affect the holdings of Trump and some of his closest advisers, including son-in-law Jared Kushner.

Trump and his aides have said they will separate their business interests from policy decisions. And tax reform — which Republicans say is next on their agenda following Friday's health care blow up — could have major implications for those interests.

Border adjustment, which would tax any good or service imported by a business at a 20 percent rate, is central to the House plan. But the provision is hated by retailers and other businesses that import their goods or materials.

Both Trump and his daughter Ivanka have clothing lines that are imported and would be subject to the tax. Ivanka Trump recently decided to take an unusual non-employee advisory role in the White House, and though her lawyer claims that she has divested from millions in stock, she still owns her clothing line.

In January, Ivanka Trump [announced](#) she would turn over management of her brand to top executive Abigail Klem. Bloomberg [reported](#) she put her brand in a trust, but would keep ownership of the company and get payouts.

The president — who says he has turned his business operations over to his sons — has wavered on border adjustment, seeming to dismiss it at one point and then saying it was still in the mix. How he comes down could decide the provision's fate.

The House plan would also eliminate the net interest deduction for corporate debt, a provision of the tax code frequently used by commercial real estate companies like the Trump Organization and the Kushner Companies, in which Jared Kushner, Trump's son-in-law turned senior adviser, still holds a stake.

Kushner's policy portfolio includes taxes, which he has discussed at length with Ryan in his official capacity as a White House adviser. A source familiar with the nature of the conversations said that Ryan had specifically pitched Kushner on border adjustment.

According to a March 1 filing, Kushner sold millions of dollars worth of investments in venture capital funds and in Signature Bank of New York. But holdings of spouses also fall under the federal conflict-of-interest statute, meaning Kushner will have to avoid potentially providing advice that could benefit his wife's business as well.

"I think it would be very important for [Kushner] to recuse himself from tax issues that affect the real estate industry," said

Richard Painter, a former chief ethics lawyer for the George W. Bush White House. "Whether it would be a violation of criminal statute is a gray area."

Painter, who is also one of the lawyers suing Trump for allegedly violating the emoluments clause of the Constitution, said that Kushner could provide broad advice on taxes, but would run the risk of at least the perception of a conflict of interest, if not a violation of laws governing them, if he advises on tax provisions that could specifically affect his own business holdings.

"If the commercial real estate industry is lobbying against it ... he's got to stay away from it," said Painter.

A White House spokesperson told POLITICO, "The Trump administration has not yet taken a position on the corporate interest deduction." The spokesperson did not respond to a request for more information on the status of divestment by White House officials.

Asked about the House tax plan at an appearance on Friday morning, Treasury Secretary Steven Mnuchin said that the administration would not take the House Republicans plan ["as is."](#)

Both border adjustment and elimination of the interest deduction are tradeoffs to allow for immediate expensing of large capital expenditures, like equipment and software, for businesses, as well as an overall lowering of the corporate income tax rate from 35 percent to 20 percent, a longtime goal of Republicans and many business leaders.

A preliminary analysis by the Tax Foundation estimated that eliminating the interest deduction would bring in \$1.2 trillion over 10 years, while border adjustment would bring in \$1.1 trillion over the same period to offset the costs of tax cuts. That makes the provisions central to a tax plan that House Republican leadership doesn't want to run up the deficit.

The Republicans' tax reform math got considerably harder when their plan to repeal and replace Obamacare imploded, leaving their tax blueprint with a \$1 trillion hole.

The tax plan Trump outlined as a candidate last year would keep the net interest deduction and allow immediate expensing, though a business would have to choose one or the other; it could not use both.

The interests of Trump, his aides and his Cabinet in either commercial real estate or private equity, the two industries most strongly against repeal of the deduction, have led lobbyists and analysts following tax reform to quietly predict the demise of a true reform of the tax code.

"The fortunes of the White House were in large part built using that provision," said a Republican tax lobbyist, who asked to speak anonymously due to the sensitivity of discussing Trump's business.

Another Republican tax expert confirmed that it is a "widely held perception" in the tax policy world that Trump would reject eliminating the interest deduction due to the Trump Organization's involvement in commercial real estate past and present.

The New York Times [reported last week](#) that Trump's business is moving ahead with the development of more hotels domestically, projects that might be affected by the loss of the interest deduction. Though the financing for those projects could come from other sources, Trump also has a history of taking on large amounts of debt to build projects, like the Atlantic City casino that led to his first bankruptcy.

Though it's hard to know how much debt the Trump Organization currently owes because it is a private company, Trump's past companies have tended to be highly leveraged by debt — the exact type of company that would see "a significant burden on cash flow," according to a recent report by Moody's Investor Service.

White House push back on key aspects of the House GOP tax reform blueprint could create major friction with Ryan and his congressional allies. After the turmoil that surrounded repeal and replacement of Obamacare, congressional Republicans will want a major economic policy win to campaign on, and tax reform has long been a personal goal of Ryan's.

When asked earlier this month about the White House's reception to eliminating the net interest deduction, Brady said it was "good."

Despite last week's setback on health care reform, Brady remained committed to pursuing a comprehensive overhaul of the tax code rather than just rate cuts. That would make it difficult to jettison border adjustment and eliminating the corporate interest deduction.

"Tax rates alone will not make America competitive," he said.

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**White House looks to rack up wins after health care calamity** [Back](#)

By Tara Palmeri | 03/27/2017 05:20 AM EDT

After suffering its first legislative blow at the hands of the Washington establishment, the White House regrouped over the weekend with senior aides strategizing on ways to score their boss a few wins and reassessing future friends and foes.

Instead of dwelling on the humbling Obamacare repeal defeat, President Donald Trump's chief strategist Steve Bannon told POLITICO there would be "action, action, action" this week coming from the White House. Expect executive orders this week on trade, energy and environmental regulations, he said in a text message.

Environmental Protection Agency chief Scott Pruitt said on ABC's "This Week" that Trump will sign an executive order this week rolling back President Obama's Clean Power Plan — an "Energy Independence Executive Order" designed to reduce regulations on domestic energy resources. The White House also confirmed that it would announce the creation of the Office of American Innovation on Monday, led by Jared Kushner.

All of that would help put the weekend of bitter recriminations behind them. The president took a step in that direction by calling House Speaker Paul Ryan on Sunday to reaffirm his commitment to their partnership. Ryan has indicated he is ready to move on to the next item on the ambitious GOP agenda — despite Trump's tweet this weekend [appearing to endorse](#) Fox News host Judge Jeanine Pirro's take-down of Ryan.

Some in Republican leadership even saw a silver lining in Trump's defeat — he may have figured out who he can work with on the Hill.

They're hoping that Trump has realized out it's useless dealing with the House Freedom Caucus that they believe moved the goalpost on the health care bill many times without ever committing to the vote.

One senior administration official says the White House now has their eyes on courting moderate Democrats. That official said they plan to reach out to House Minority Whip Steny Hoyer and other rank-and-file Democrats who they think will be amenable to infrastructure spending and tax reform. The White House has already made contact with the Congressional Black Caucus.

Chief of Staff Reince Priebus appeared to telegraph that approach Sunday by repeatedly saying on Fox News Sunday that they need to reach out to moderate Democrats.

"The last 48 hours were about letting the dust settle, and the next week will be about talking to Democrats," said another senior administration official who was involved in pushing the health care bill on the Hill.

One senior GOP Hill source surmised that the messaging campaign from the White House about the potential courtship of Democrats is designed to make the House Freedom Caucus feel irrelevant in the fights ahead — a risky tactic since the president will likely need the House Freedom Caucus for the next flash points on the legislative agenda — the debt ceiling and the budget in April.

"He's not only risking alienating them [the Freedom Caucus] but conservatives as a whole," said a senior GOP Hill adviser. "People were always suspicious of his conservative credentials, but they supported the candidacy. He's running the risk of turning off conservatives and he still has to deal with the debt ceiling fight and everything else. He walked into Speaker Ryan's trap of calling out the Freedom Caucus."

On Sunday, Trump blasted both the House Freedom Caucus and Democrats in a single tweet. "Democrats are smiling in D.C. that the Freedom Caucus, with the help of Club For Growth and Heritage, have saved Planned Parenthood & Ocare!" Trump tweeted.

Trump will likely have to wait more than a week for his next big win — assuming Supreme Court nominee Neil Gorsuch is confirmed in the face of Democratic Senate vows to block his nomination.

Until then, the White House appears to be ready to take on a more active role in tax reform than it did on the health care bill. According to a House leadership aide, when Ryan came to the White House on Thursday to deliver the bad news to Trump on the vote count, the president's top economic adviser, Gary Cohn, and Treasury Secretary Steve Mnuchin were eager to talk about tax reform.

While Trump laid his salesmanship on thick in the final week before the health care vote by courting the different GOP factions, some believe that he needs to sustain that work well in advance of the push for tax reform.

"To be his own best advocate, the President needs to know the Republican conference much better — invite members to the White House socially, invite them on Air Force One and to a golf outing," said Doug Heye, who served as an aide to former House Majority Leader Eric Cantor. "This effort can pay dividends the next time the White House wants to influence votes on the Hill."

Other have suggested that Trump should go even further and spend more time on the road selling his message, to add to his leverage when he's trying to twist arms on Capitol Hill.

"He spends everyday meeting with interest groups in the White House, I think going out and meeting with average Americans wouldn't hurt," said Alex Conant, Sen. Marco Rubio's former communications director, noting that Trump's average of one rally outside of D.C. per week isn't enough with his slipping approval ratings. "They need to develop a strategy, where they agree that 37 percent is unacceptable for a president's approval rating after two months on the job."



## **Pruitt confirms energy executive order coming Tuesday** [Back](#)

By Anthony Adragna | 03/26/2017 10:35 AM EDT

President Donald Trump will sign an executive order Tuesday addressing the Clean Power Plan and other Obama-era environmental actions, EPA Administrator Scott Pruitt said this morning on ABC's "This Week."

"This is an effort to undo the unlawful approach the previous administration engaged in, and to do it right going forward with the mindset of being pro-growth and pro-environment," he said. "And we can achieve both."

Pruitt added the order, which he dubbed the Energy Independence Executive Order, would "absolutely" bring back coal jobs throughout the country as part of a "long term" strategy to reinvigorate the domestic fossil fuel industry.

In addition, Pruitt repeated his criticism of the international Paris agreement as a "bad deal" for the U.S. and promised to "focus on getting things right here domestically and making sure we operate within the framework of the Clean Air Act" without specifically calling for withdrawal.

Pruitt also said he was "going to be evaluating" whether to maintain a waiver for California to go beyond federal EPA standards in setting its vehicle emissions standards.

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## **Trump's Obamacare stumble empowers Pelosi** [Back](#)

By Heather Caygle | 03/27/2017 05:05 AM EDT

Nancy Pelosi is suddenly relevant again.

The implosion of the all-Republican effort to lay waste to Obamacare showed that President Donald Trump might need the San Francisco Democrat to salvage the rest of his agenda. The self-professed master negotiator couldn't get it done with his own party, despite a 44-seat House majority, and hinted afterward he might start to look across the aisle.

"Ironically, the president who ran as the great deal-maker couldn't even make a deal with the people on his own team. It's our leader who continues to unify us," Rep. Eric Swalwell of California, a close Pelosi ally, told POLITICO. "Republicans should take a lesson from that."

Republicans have turned to Pelosi for years to deliver Democratic votes on must-pass legislation to keep the government open and raise the debt ceiling. But with Trump in the White House and the GOP in control of Congress, dismantling Obamacare was supposed to be the first example that Pelosi's help was no longer needed, much less wanted.

Instead, House Republicans' crash-and-burn pointed to the opposite. The leader of the seemingly powerless House minority might actually have some juice. And the unexpected dynamic is already showing signs of uniting of her own caucus, which has been struggling to come together after Democrats' crushing election losses.

In November, Pelosi (D-Calif.) [beat back](#) the first real leadership challenge of her long career, fueled by charges that Democrats needed fresh ideas to compete for Trump voters. But there she was on Friday, literally [jumping for joy](#) on the Capitol lawn after the GOP's face-plant on Obamacare, her signature achievement in Congress.

The next big showdown in Congress comes at the end of April, when government funding runs out. Pelosi has already made clear her caucus won't support any spending bill that provides money for Trump's proposed border wall between the U.S. and Mexico.

Since the Republican Conference's divisions aren't likely to heal soon — Trump was tweeting barbs at the Freedom Caucus over the weekend — GOP leaders may have to heed Pelosi's warning early on if they want to avoid a government shutdown.

But beyond just keeping the government running, Trump could be forced to seek out Pelosi on everything from tax reform to raising the debt ceiling to a \$1 trillion infrastructure package he's touted.

Pelosi's power comes down to simple math. House Democrats are powerless to stop a unified Republican Conference from passing anything in the House. But GOP leaders need 218 votes and last week proved they are unable, for now, to corral a majority from within their caucus.

Whether Trump attempts to negotiate with Pelosi directly or looks to pick off conservative-leaning members of her caucus is an open question. Or he could pursue a Republican-only strategy again if he believes he can have better success next time than he did on Obamacare repeal.

The next big item Trump wants to tackle, a comprehensive tax overhaul, will likely be even more divisive within the GOP than health care.

On Friday, Trump called Pelosi and Senate Minority Leader Chuck Schumer (D-N.Y.) "losers," because "now they own Obamacare, 100 percent own it." At the same time, the president said he'd be open to working with Democrats to fix health care once Obamacare "explodes."

Two days later, Trump blamed Democrats and the arch-conservative House Freedom Caucus for the repeal defeat.

"Democrats are smiling in D.C. that the Freedom Caucus, with the help of Club For Growth and Heritage, have saved Planned Parenthood & Ocare!" Trump tweeted Sunday morning.

While Democrats could not have stopped Republicans from passing their repeal bill, Pelosi made sure her caucus didn't inadvertently assist them, either.

She began organizing a strategy to stop the repeal in late December, encouraging members to hold events in support of Obamacare, closely monitoring grass-roots efforts and pushing back on any rank-and-file efforts in recent weeks to introduce Democratic alternatives.

"I felt like we were the basketball team in the huddle with 10 seconds left on the clock and our coach is looking at her clipboard and she'd been there before," Swalwell said.

But even now, some Democrats are privately questioning how long Pelosi will stay.

Pelosi has said she would have retired had Hillary Clinton won the election, ensuring Obamacare was safe. Sources close to her now say just because the current repeal effort is dead doesn't mean to expect her departure anytime soon.

"This is just about the death of one bill. Granted it probably means that anything comprehensive is never going to happen. But there are still little things Republicans can do," said one Democratic aide.

Pelosi, 77, has been leader since 2003; other members of the caucus' top leadership team are in their mid- to late-70s.

Younger members of the party have long complained they need fresh leadership to lead the uphill effort of someday retaking the House.

A few members and aides reiterated those concerns privately to POLITICO over the weekend.

But Pelosi allies argue she is the only one in their caucus adept enough to navigate Congress with someone as unconventional as Trump in the White House.

"She had a much more skillful president in George Bush and his team and a much more experienced hand in [former House Speaker] Dennis Hastert," said one lawmaker who requested anonymity. "This is child's play right now for her."

For now, Pelosi is just relishing victory. When House Speaker Paul Ryan (R-Wis.) conceded that Obamacare is "the law of the land" and will be "for the foreseeable future," Pelosi celebrated the moment in uncharacteristic fashion.

The Democratic leader, known for her business-like manner, kicked off her heels on the Capitol grounds Friday, jumping up and down in her stocking feet with supporters.

"Ho, ho, hey, hey, ACA is here to stay," the crowd chanted.

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## Trump signs bill revoking Interior Department land use planning rule [Back](#)

By Esther Whieldon | 03/27/2017 04:19 PM EDT

President Donald Trump today signed a bill repealing the Interior Department's updated land-use planning process that fossil fuel energy companies complained would reduce access to resources on federal lands.

The Congressional Review Act resolution, which Congress passed earlier this month, revokes the Bureau of Land Management's December Planning 2.0 rule that had replaced the previous land-use process that took eight years on average to open up new acreage for development.

The previous land-use plans also occasionally triggered lengthy litigation from environmental and outdoor recreation groups, including the court fight over BLM's 2008 plans for lands in Utah that the agency only in January [reached](#) a settlement over. The updated process had allowed earlier input from the public in an attempt to reduce litigation.

But critics of the rule, including fossil fuel companies and agriculture groups, say it decreased states' and field offices' roles in planning decisions and prioritized conservation over tapping into natural resources. The CRA resolution also bars Interior from crafting a new land use planning process in the future that is substantially similar.

**What's next:** Because the rule was not made because of a court order or a deadline-specific legal mandate, Interior Secretary Ryan Zinke will have to decide whether he wants to try again to revamp the process or to work to improve land-use planning within the limits of the existing rule.

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Trump says repeal of Obama-era education rules will 'eliminate harmful burdens' [Back](#)

By Michael Stratford | 03/27/2017 04:16 PM EDT

President Donald Trump said today that repealing two Obama administration education regulations will "eliminate harmful burdens" on states and local school districts.

Trump signed into law two Congressional Review Act resolutions that overturn Obama-era regulations governing teacher preparation programs and school accountability under the Every Student Succeeds Act.

The education measures were among other Obama regulations that Trump overturned during a signing ceremony in the Roosevelt Room of the White House. He said doing so will "cancel federal power grabs that centralize decision-making in Washington away from states and local governments."

Parents and local leaders "know the needs of their students better than anyone in Washington by far," Trump said. "We're removing these additional layers of bureaucracy to encourage more freedom and innovation in our schools."

Trump was joined by Vice President Mike Pence, Education Secretary Betsy DeVos, Sen. [Lamar Alexander](#) (R-Tenn.), Rep. [Virginia Foxx](#) (R-N.C.), other members of Congress and several state and local leaders.

Congressional Democrats sharply criticized the repeal of the regulations.

Rep. [Bobby Scott](#) (D-Va.) said in a statement that the move would "undermine public education by jeopardizing implementation of the Every Student Succeeds Act." And Sen. [Patty Murray](#) (D-Wash.) said that overturning the rules showed that "strong accountability in our public schools and our teacher preparation programs is not a priority of this administration."

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**Trump to sign CRA to block Obama contracting regulations**[Back](#)

By Marianne LeVine | 03/27/2017 11:21 AM EDT

President Donald Trump will sign a Congressional Review Act [resolution](#) today to block regulations from the Obama administration that require prospective federal contractors to disclose previous labor law violations when bidding for large contracts, according to a White House spokesperson.

The regulations implemented a [2014 executive order](#), but never took effect because a federal judge issued an [injunction](#) against it. Labor unions and worker advocates said that the regulations would protect workers and help companies come into compliance with federal labor law. But business groups like the U.S. Chamber of Commerce argued the regulations added needless red tape to the federal procurement process and could punish businesses with alleged labor violations.

The resolution, which passed the Senate this month, blocks not only the Obama contracting regulations, but also prevents similar regulations from taking effect in the future.

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**Republicans learn to love a regulation**[Back](#)

By Danny Vinik | 03/27/2017 01:37 PM EDT

The GOP Congress hasn't had much luck getting big policies passed under President Donald Trump, but it's been very efficient at repealing them—quietly using its powers under the 1996 Congressional Review Act to roll back Obama-era regulations on oil companies, coal companies, and workplace injury tracking, among others. It's all part of the Republican campaign promise to roll back nuisance rules that impose burdens on states and private companies.

But in a twist, the next two rules to get the axe might do just the opposite. As soon as this week, the Senate is poised to overturn two Department of Labor rules that concern retirement savings. But instead of tying firms in red tape, the rules actually reduce the burden of regulations on states and businesses trying to help people save for retirement. So repealing them would put the obstructive regulations right back in place.

The disagreement stems from laws passed in five states—California, Connecticut, Illinois, Maryland and Oregon—that require employers without 401(k)-style retirement plans to automatically enroll their workers in state-run retirement accounts. The idea is to create a new, automatic retirement-saving option for the millions of workers who don't have access to any kind of retirement plan that deducts from their paycheck. (Though auto-enrolled, workers could opt out.)

Those laws might not seem like they'd involve the federal government at all, except that a 1974 law, the Employment Retirement Income Security Act (ERISA), ties employers up in a number of rules if they establish or maintain a worker's retirement account. ERISA is intended to protect workers, but it also makes retirement plans more costly to run, and is a big part of why many smaller employers don't offer 401(k) plans. When the five states passed the new savings law, firms started to worry they'd be held liable to ERISA standards, making the new laws just as expensive as running their own 401(k)s, even though they only function as middlemen.

So last fall, the Department of Labor issued two rules—one for states and one for municipalities—providing a "safe harbor"

so that auto-IRA plans will not fall under burdensome ERISA requirements. These "safe harbor" rules are the ones the GOP wants to roll back.

Republicans call the Obama rules a "regulatory loophole" and frame their campaign against these rules as a simple matter of consumer protection: States have a bad record of managing pension money, and new laws funneling money to state-run IRA programs could just invite new abuses of private sector pensions, as has happened with public sector pensions. (In this case, however, the states would simply act as administrators, and the actual IRA accounts contracted out to private firms like Vanguard and Fidelity.)

Critics suspect something else lies behind the GOP's sudden affection for costly consumer-protection rules. "People have ascribed different motivations to why they are doing it," said Justin King, a policy director at New America who supports the DOL rules. "Is it just because it's an Obama thing? Is it a favor to the financial services industry?"

Republicans say that exempting the state-run auto-IRAs from ERISA won't just eliminate consumer protections—it will give the state an unfair competitive advantage over the private sector. "They are put on the same footing with a 401(k)," Rep. Francis Rooney, a sponsor of one of the CRA bills in the House, said in an interview. "They have an administrator dealing with other people's money and need the fiduciary protections of ERISA."

"Our position is the following: The states should be able to offer anything to private sector employees that are subject to the same standards and requirements," said Jill Hoffman, a vice president for government affairs at the Financial Services Roundtable, a banking lobby that supports repealing the rules. "If it's good enough for the private sector, it should be good enough for the state."

It's true that IRA accounts don't come with the exact same protections as ERISA-covered accounts. In particular, ERISA imposes a fiduciary duty on employers to act in the best interest of their employees, which is not the case with IRAs. But it's also true that employers can already offer IRAs which, under certain circumstances, are not protected by ERISA. Those accounts aren't unprotected; IRAs themselves have many ERISA-like protections, including rules that prevent self-dealing by their money managers. And supporters argue that states will pass additional consumer protections as well. "These state-run plans are not employer-sponsored plans," said King. "They are IRA plans and exist in the private market already, and come with a bunch of protections that are not ERISA protections. Nobody has a problem with that."

As for the argument about state money management: States underfunded their employee pensions for years, repurposing the money and passing the problem to future policymakers. As interest rates have fallen, these liabilities have become more imposing, and many states face major pension crises in the years ahead. Conservatives say the new IRA laws will lead to a repeat scenario. "[It's] politicians playing politics with private sector workers' retirement funds," said Rachel Greszler, a senior policy analyst at the Heritage Foundation who has studied this issue. The funds, she warned, could even be used for political purposes, such as disinvesting from energy resources or propping up public pension accounts.

Democrats strongly disagree. "It's complete bullshit," said Joshua Gotbaum, a guest scholar at the Brookings Institute who chairs the board that is designing and running Maryland's auto-IRA plan. He served as the head of the federal Pension Benefit Guaranty Corporation from 2010 to 2014. The better comparison, he said, isn't to public pensions but to college-savings plans known as 529s, which have been extremely popular and have largely avoided scandal. "Dozens of states have college savings plans that use this exact model," he said, "and no one has claimed that they are mismanaged."

The idea of a state-run IRA isn't totally without risk: in theory states could take over the management of the money and do it as poorly as they did with pensions. In practice, however, that appears unlikely: All five of the states that have passed the laws so far not only plan to outsource the management to private money managers, but have included a fiduciary requirement in their auto-IRA laws, meaning the state must act in the best interest of the employees.

The two CRA bills passed the House in February and received just one Democratic vote. Congressional staffers weren't sure when they would reach the Senate floor, but it could be as soon as this week. The White House [said](#) it "strongly supports" the two bills.

When the bills do reach the floor, there's no guarantee that they'll pass. With a 52-seat majority, Republicans have just three votes to spare, and some Republicans could be tempted to oppose the bills. Sen. John McCain, for instance, actually supported a similar national law during his 2008 presidential run. And Sen. Marco Rubio hails from a state—Florida—that benefits when seniors have additional retirement savings. Neither office returned a request for comment on their position on the legislation.

To those in the states, the stakes are high. About [13 million people](#) could gain access to new retirement accounts through the laws. (Nationwide, around 40 million people lack access to employer-sponsored retirement accounts.) State leaders see the laws as an innovative new way to encourage Americans to save for retirement and, importantly, to help their own fiscal situation in years ahead. After all, they say, poor seniors eventually become the state's costly responsibility. "This is a program that doesn't cost taxpayers any money, enables people to exercise their personal responsibility to save for retirement in the same way that most professionals save for retirement," said Ruth Holton-Hodson, a senior policy adviser with the California State Treasurer. "If we don't allow states to do this, the back end is going to cost states a lot more."

Even if Republicans do repeal the two rules, states say they still move forward with their plans, even though that could put their small businesses at risk of having to comply with ERISA. And whatever happens in Congress, the implications could soon be much broader: at least 10 more states are considering similar laws.

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## Slow pace of nominations puts Trump agenda at risk[Back](#)

By Eric Wolff | 03/27/2017 05:04 AM EDT

President Donald Trump is aiming to transform environmental and energy policy through executive orders and steep spending cuts, but the vast number of vacancies at the top of agencies like EPA and the Department of Energy could stall that overhaul.

Without the political appointees to support EPA Administrator Scott Pruitt and Energy Secretary Rick Perry, Trump's policy priorities will depend on career officials serving in acting capacities to fulfill his orders — which could encounter bureaucratic inertia or even resistance from government employees who are reluctant to unravel measures they developed under the Obama administration and have been turning to [secretive communications](#) to shield their conversations.

So far, Trump has called for rewriting the Waters of the U.S. rule and reviewing fuel economy standards, and he's expected to issue an order in the coming days to rewrite the Clean Power Plan and erase other Obama efforts to improve the climate footprint of the federal government.

"I don't think they'll get very much done if they don't get the rest of their leadership in place," said Jeff Holmstead, a former George W. Bush political appointee who ran the EPA's Office of Air and Radiation and is now a partner at Bracewell, a law firm. "The longer that takes, the less they'll be able to do."

Trump and other Republicans have blamed Democrats for delaying the confirmations, but so far the White House is lagging the pace of previous administrations in sending names to the Senate to fill 1,100 positions it must consider. And Trump has indicated he may not seek to fill every post, which would frustrate Democrats, who worry about concentrating power in the White House, as well as Republicans, who have a long list of policy objectives to roll out.

Signs of resistance to the new administration inside agencies abound: A group of EPA alumni [issued a report](#) on Wednesday castigating the administration for proposing a 31 percent cut in the agency budget that it said "appears to be nothing less than a full-throttle attack on the principle underlying all U.S. environmental laws."

For the career civil servants now holding down the various undersecretary and assistant administrator jobs at EPA and DOE, making controversial decisions to line up with Trump's goals may be going beyond their job descriptions. Many are part of the 40-year-old Senior Executive Service, created to develop a force of career federal government managers, said Terry Gerton, CEO of the National Academy of Public Administrators, a nonpartisan group aimed at making government work better.

"They're the technicians of the organization," Gerton said. "It's been up to the political appointees to interpret the president's agenda to turn that into policy to direct that to career staff to execute."

And federal managers, whose careers often span multiple administrations, are typically hesitant to make decisions that can result in public approbation or that could come back to haunt them when control of the White House changes political parties.

"Career employees in acting offices feel like they have to be in a holding pattern until politicals are named," said Jonathan Levy, a former deputy chief of staff in the Department of Energy and who served as an appointee under former Energy secretaries Steven Chu and Ernest Moniz. "Internally or externally, they don't feel like they have enough heft to make these kinds of decisions."

Pruitt appears to have sought to remove that burden when then-EPA adviser David Schnare sent acting officials an email on March 2 obtained by Inside EPA saying that for the next 30 days, Pruitt "wishes to retain approval authority for Agency actions having significant regulatory and enforcement effect."

But the absence of a sub-Cabinet level appointees is preventing agencies from working to capacity. Numerous [reports](#) have emerged about a State Department adrift without a high-level staff to help Secretary Rex Tillerson set the direction. And within the Department of Energy, which lacks any permanent political appointees under Perry, career managers are hesitant to advance old policies.

"They're very nervous," said one DOE staffer. "No one's willing to have the fights."

So far, Trump is lagging three of the last four administrations in submitting names to the Senate to fill out the agency jobs, according to data compiled by the Partnership for Public Administration, a nonpartisan nonprofit. The 38 nominations he's [submitted](#) as of Friday trails the 101 nominations sent by the same point under former President Barack Obama, the 51 sent by Bill Clinton, and the 45 sent by President George H.W. Bush. Trump also trails President George W. Bush's 40 nominations, notable because Bush lost a month of transition time while courts adjudicate the 2000 contested election.

Trump's pace of nominations is unlikely to accelerate, as the pipeline of new hires seems fairly empty. The Partnership asked for records through public records laws from the Office of Government Ethics, and as of March 7, the administration had submitted 63 nomination reports, a necessary precursor to Senate nomination. By the same point eight years ago, potential Obama nominees had sent 228. Even if there was a wave of new appointments, they would likely get caught in an



OGE bottleneck as the tiny department conducts its reviews, Partnership CEO Max Stier said.

"It's a harbinger for the future that if you don't have people going through that process," he said. "It's lengthy."

Trump appears unconcerned with hiring people for many of the positions [telling](#) Fox News last month, "Many of those jobs I don't want to fill."

Another complicating factor: Nominees for jobs Trump may want to fill have been subject to a strict [loyalty](#) test, and the White House has kept a tight control over the selections. [Axios reported](#) earlier this month that Interior Secretary Ryan Zinke went to Trump and demanded his staff be approved, prompting Trump to reply that Zinke will get his people "as long as they're our people."

For some Trump opponents and environmental activists, that's good news. Groups like the Natural Resources Defense Council spent years pushing to get a carbon rule like the Clean Power Plan developed, so they don't mind if rescinding or altering the rule takes a long time, and possibly is done badly.

"Would I rather have empty chairs than people the like of which we're going to get? An empty chair is better," said David Doniger, NRDC's Director of Climate and Clean Air Program. "It's going to take them months to put out a proposal, if they have any intention that it should be the beginning of a rule that would survive review. ... that's going to take time, even if you had your full crew."

Still, Senate Democrats, who may support the climate regulation, worry that without top officials, the White House will step in and make broad decisions with no pushback from agency experts.

"My sense is if you don't have people in the agencies, the White House will just consolidate power and engage in what I think is even more arbitrary kinds of policies that damage the environment, damage public health and hurt the country," said Sen. [Ron Wyden](#) (D-Ore.).

"Things can't work if there's nobody in charge of making them work," said Sen. [Debbie Stabenow](#) (D-Mich.). "I believe that in a democracy there needs to be public accountability and you have to have people in positions making decisions to have that accountability."

Republicans say Democrats are the reason many positions remain unfilled. Sen. [Bill Cassidy](#) (R-La.) said the second-level jobs can't be filled until the top positions were settled, a process that took extra time because of Democrats' foot dragging. But he conceded the slow process is "frustrating." And Sen. [Lisa Murkowski](#) (R-Alaska) has expressed some concern that the White House hasn't submitted names to restore a quorum to FERC, which is needed to help advance major energy infrastructure projects.

[Jim Inhofe](#) (R-Okla.), a Trump supporter, agrees with Trump that every job doesn't need to be filled, but he acknowledged that top cabinet officials can't enact a major deregulatory push alone.

"I think [Pruitt] does need more help, and it's been slow," he said. "It's very frustrating for Scott Pruitt."

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## Senate Democrats delay committee vote on Gorsuch nomination [Back](#)

By Seung Min Kim | 03/27/2017 12:45 PM EDT

Senate Democrats today pushed a key committee vote for Supreme Court nominee Neil Gorsuch into next week, setting in motion a major showdown over his Senate confirmation.

The delay was expected — any member of the Judiciary Committee can ask for a nomination to be held over one week. The committee will now vote on Gorsuch's nomination on April 3, with GOP leaders hoping to get Gorsuch confirmed before senators leave town for the two-week Easter recess starting April 8.

Democrats are resistant. California's [Dianne Feinstein](#), the top Democrat on the committee, again expressed her deep discontent over the GOP blockade of Merrick Garland, President Barack Obama's final nominee to the Supreme Court. She also raised concerns about the millions in outside money spent to bolster Gorsuch in the campaign to get him confirmed.

"That sends a loud signal to me," Feinstein said. "I think that the majority, and I say this respectfully, needs to consider those things."

Democrats also delayed two other nominations on the committee's agenda for a week: Rod Rosenstein for deputy attorney general and Rachel Brand for associate attorney general.

Rosenstein's confirmation battle has been swept up in the larger fight over Russia's intrusion in the 2016 election. He is poised to take over any federal Russia-related probes after Attorney General Jeff Sessions recused himself, but Democrats are demanding that a special prosecutor oversee the investigation instead.

By Gregory Hellman | 03/27/2017 03:52 PM EDT

The new chairman of the House Armed Services Readiness Subcommittee says he's determined to help increase the size of the military and boost readiness from historic lows under President Donald Trump's plan to expand the force.

Specifically, South Carolina Republican [Joe Wilson](#) says he supports the \$640 billion Defense Department budget for fiscal 2018 that's being promoted by the chairmen of the Senate and House Armed Services committees, Sen. [John McCain](#) (R-Ariz.) and Rep. [Mac Thornberry](#) (R-Texas).

"We've had enemies from around the world increase threats," said Wilson, a former Army colonel and National Guardsman. "They have taken our reductions in force and built up threats to the American people. As a Reaganite, I am a strong believer in peace through strength."

Another legislative priority for the new chairman is securing passage of the Military Surviving Spouses Equity Act that would eliminate the so-called Widow's Tax, which requires surviving spouses of service members killed in action to forfeit the survivor benefit pension annuity.

Thornberry recently wrote of his support for the measure, which Wilson has introduced in every Congress since 2011 [urging](#) House Budget Chairman [Diane Black](#) (R-Tenn.) to support the repeal.

As co-chairman of the Kurdish-American Congressional Caucus, Wilson also is recommitting his support of a measure to authorize directly arming the Iraqi peshmerga in the fight against the Islamic State.

POLITICO sat down with the congressman in his Capitol Hill office to discuss the defense budget, his goals for his subcommittee and the key issues under this jurisdiction.

*The below excerpts have been edited for length and clarity.*

**Can you provide your thoughts on the president's defense budget proposal?**

While I support the funding level of Chairman Thornberry and Chairman McCain of \$640 billion, this is a clarification of the budget at \$603 billion. And I'm just very grateful for President Trump's clear affirmation of rebuilding our military.

**What is your view of the president's proposal to raise the defense spending caps rather than eliminate them? Could you support that proposal?**

Yes. I know that he is focused on trying to be fiscally responsible and address defense, homeland security and veteran's issues. And it's a very delicate balance.

I just really believe ... the threats to the American people are rising every day. In particular, we see the threats with North Korea with additional missile testing, the boasts of their ability of miniaturization of nuclear warheads. It should never be forgotten that it was last year that they successfully launched a satellite.

That is a clear indication of the capability of an intercontinental ballistic missile, which could strike the West Coast of the United States, but already put at risk Hawaii and American territories — and obviously the American bases. It's almost inconceivable to me that we've had testing ... clear missile testing by a unit which is designated to strike and eliminate American bases in Japan. Good gosh, how clear is the threat?

**You introduced a resolution related to North Korea in this session, could you tell me a little bit about that?**

I'm really grateful that we have a resolution with 107 co-sponsors, including [House Foreign Affairs] Chairman [Ed Royce](#) and ranking member [Eliot Engel](#). So, it's a bipartisan resolution. It restates the different levels of threats that North Korea is to the United States and our close allies of South Korea and Japan.

What needs to be done ... is to expand the sanctions to encourage, if not pressure, China. This should be in China's interests. I've actually been to Beijing, where I saw the foreign embassies there have double fences. And the reason for the double fences is ... people defect from North Korea and then jump a fence into a foreign embassy compound to claim asylum. And so they know how unstable that regime is, and to me, it should be in the interest of China.

**Returning to the budget, in addition to the president's fiscal 2018 proposal he also offered a budget amendment for fiscal 2017. What are your thoughts on that measure?**

Well obviously I'm grateful that is proceeding, again with an emphasis on defense.

**What do you think of the specifics of the measure? For example, it contained significant funding for procurement in the view of some analysts. Do you think it struck the right balance?**

I do. Readiness involves military personnel, training and certainly the most modern equipment, and maintaining the equipment we have. So there's so many legs to readiness that need to be addressed.

**Are there specific areas of readiness that you want to focus on as subcommittee chair?**

We need to maintain the equipment that we have so that we can then have proper training. The flight time is just critical for our personnel. I've had the experience myself in the National Guard of training at the National Training Center at Fort Irwin, Calif. in the Mojave Desert. I know how important that training is, because it was a precursor for the unit that I was in, the 218th Mechanized Infantry Brigade, to be deployed for a year to Afghanistan. It was that initial training ... that gave confidence to our military.

The training also has such an incredible impact on equipment. We learned that equipment that gives the perception of being very serviceable, once you go through a training you find out it needs to be superseded by multiple generations of improvements. With vehicles, we certainly learned that. When I trained, it was a long time ago. It was a pickup truck going through the dessert. Well, we learned that was not the way that you travel.

**You have introduced the Military Surviving Spouses Equity Act to Congress several times. Please tell me about the bill and why this Congress should adopt it.**

It's correctly identified as the "Widow's Tax," and I have actually adopted this from my predecessor, the late HASC Chairman Floyd Spence. He had previously introduced this legislation. A survivor of a deceased personnel receives a DoD benefit. Sadly, from that is deducted the Veterans [Affairs] benefit, which can be up to a \$1,000 a month deduction, for a \$12,000 deduction. What I believe was intended was for people to receive survivor's benefits — full survivor's benefits.

Col. Trane McCloud, was in our office. ... He was a military fellow. Sadly, he was killed in an accident in Iraq. I know so many families personally who have been effected. We have the Gold Star Mothers with us, who come by and explain, give real-world meaning to how this impacts on their lives, for themselves and their children. These are children of deceased military persons, people who have given their lives proving freedom is not free.

**As chairman of the Readiness Subcommittee you have jurisdiction over BRAC [base realignments and closures]. What is your position on the possibility of a new round of BRAC?**

I appreciate the discussion very much and I know that our state has really gotten prepared to be in a military-friendly state. We have Gen. George Goldsmith leading the efforts in the Fort Jackson community. Bill and Paula Bethea are leading a state commission on promoting state laws that are being adjusted in the event of a BRAC.

I think it's very legitimate that this be taken into consideration — how military-friendly a community and state is. And I look forward to working really with Chairman Mac Thornberry and his perception of how we should proceed.

I was concerned that last time we had a BRAC, even though it was beneficial to the military facilities of the district that I represent, it did not save funding as was anticipated.

**What would be the threshold to gain your support for a new round? What would the Defense Department have to show?**

Well, the department would have to prove to [Chairman] Thornberry that they could address the base realignment issues and achieve saving of funds — actually saving funds, because it still is startling to me that with all of the effort in the last BRAC that it actually did not save money. And then the prior round of BRAC, I'm not sure that saved money either. It would seem like it would, but it's got to be proven.

**You recently spoke with the leadership of the Kurdish Regional Government during a February trip to the region. What are your general impressions from that trip? Also, will you be supporting measures in this Congress to assist the Kurds, such as supporting direct arming of the KRG?**

Actually, I do — and I know that there's strong support in the House and Senate to arming the Kurdish Regional Government. I had a very positive visit with the prime minister and Deputy Prime Minister Qubad Talabani in Erbil.

The American people need to know. [The Kurds] have not forgotten that they were protected by the no-fly-zone. They are a very dynamic and economically advanced portion of the Middle East. It's very impressive to see the economic vitality, the modern civilization that has been developed there. The American people should be proud that it was because they provided a no-fly-zone so that Saddam Hussein couldn't persecute and oppress the people. And so the Kurdish citizens really are a dynamic part of Iraq.

With the most recent military operations, in Eastern Mosul and also Syria, the Kurdish forces have been very, very helpful backing up and taking the lead in helping to liberate the second-largest city of Iraq - where my oldest son actually received a combat action badge. So, I identify with that.

**What additional issues are you looking to address as subcommittee chair?**

To me, it's the trajectory of where we're going. It was really sad to me, the lack of attention to readiness in our military did two things. One, it reduced the Army to the smallest size since 1939, the Navy to the smallest size since 1916, the Air Force to its smallest size since it was created in 1947.

The consequence of that is that we've had enemies from around the world increase threats. And they have taken our

reductions in force and built up threats to the American people.

As a "Reaganite," I am a strong believer in peace through strength. The stronger the United States is, the better for the people of the United States and for our allies.

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## **Pruitt confirms energy executive order coming Tuesday** [Back](#)

By Anthony Adragna | 03/26/2017 10:35 AM EDT

President Donald Trump will sign an executive order Tuesday addressing the Clean Power Plan and other Obama-era environmental actions, EPA Administrator Scott Pruitt said this morning on ABC's "This Week."

"This is an effort to undo the unlawful approach the previous administration engaged in, and to do it right going forward with the mindset of being pro-growth and pro-environment," he said. "And we can achieve both."

Pruitt added the order, which he dubbed the Energy Independence Executive Order, would "absolutely" bring back coal jobs throughout the country as part of a "long term" strategy to reinvigorate the domestic fossil fuel industry.

In addition, Pruitt repeated his criticism of the international Paris agreement as a "bad deal" for the U.S. and promised to "focus on getting things right here domestically and making sure we operate within the framework of the Clean Air Act" without specifically calling for withdrawal.

Pruitt also said he was "going to be evaluating" whether to maintain a waiver for California to go beyond federal EPA standards in setting its vehicle emissions standards.

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**To:** Moore, Megan <Megan.Moore@fhfa.gov>

**Subject:** Morning Money FS, presented by Morgan Stanley: Going bipartisan on tax reform? — Trump Twitter fodder — CRA pushback — More on Clayton's meetings

By Ben White and Aubree Eliza Weaver | 04/04/2017 05:18 AM EDT

**GOING BIPARTISAN ON TAX REFORM?** — One argument currently making the rounds in Washington and New York is that the Trump administration could avoid its health care nightmare by end-running the Freedom Caucus and putting together a corporate tax reform package that would appeal to a significant number of Democrats.

**This wouldn't be easy.** Democrats are not generally in the mood to do deals with President Trump. And many Republicans are also deeply skeptical of this approach and the results it could yield. But Trump desperately wants a big win and has given signals that he's willing to deal with Democrats.

**Obama White House CEA Chair Jason Furman** laid out a roadmap to a bipartisan tax and infrastructure deal in this [WSJ op-ed](#). The gist: Focus on corporate tax only; make it revenue neutral; adopt a minimum tax on overseas income; switch domestic taxes to cash flow from profits and drop the top rate; do public infrastructure.

**There would be big gaps to bridge** on getting to revenue neutrality (or even caring about it) and how low the rate should be. But many Democrats want to get the U.S. rate more competitive and could be brought along with the infrastructure piece. MM spoke to Furman about his ideas:

"This doesn't have to be about ideology on the size of the government or the distribution of income but simply about devising a less stupid way to collect a given amount of taxes. There are many ways that are less stupid than what we do now ...

"Border adjustment is a clever idea and has lots of tax policy merit. But it has some problematic side effects that would be exacerbated by the way this administration would likely sell it as a protectionist measure. ...

"We are never going to compete on rates with Ireland or the Caymans but would could be on par with Japan, Germany the UK and other big countries and our business tax would have 100 percent expensing which is not something you get anywhere else in the world."

**On appealing to Dems:** "They have a high bar to overcome to create an atmosphere of trust where something can be done together. But if the White House can propose something that is within the zip code of sensible then I'd love to see Democrats go along and work on it. ...

"Certainly it can be a lot easier to add Democrats than to keep every single one of your Republican votes and it's a way of legislating that's more consistent with what he ran on."

**DAILY UH OH** — NBC's Lester Holt and Alexander Smith: "A senior North Korean defector has told NBC News that the country's desperate dictator is prepared to use nuclear weapons to strike the United States and its allies" [More](#).

**TRUMP TWITTER FODDER** — Via Bank of Tokyo's Chris Rupkey: "The ISM manufacturing survey came off the boil in March with the index now 57.2 versus 57.7 in February, but who cares? Because a couple of the key sub-index components are heating up including inflation and jobs.

"The employment index surged 4.7 points to 58.9 in March which bodes well for new manufacturing jobs in Friday's employment report ... [M]anufacturing executives clearly like what they are hearing out of Washington and are putting more people to work ... [M]aybe the President's jawboning means fewer factories are leaving because it looks like there is a renaissance for U.S. manufacturing"

**CRA PUSH BACK** — Greg Baer, President of The Clearing House emails, "Claims included in Politico's reporting yesterday that there is no precedent for the GAO to overturn regulatory guidance under the Congressional Review Act are incorrect. There is ample precedent for the GAO's review and evaluation of guidance under the CRA.

"For example, in September 2012, the GAO issued a letter in response to a request from Sen. Hatch and Rep. Camp finding that guidance issued by HHS was a rule for CRA purposes and not legally effective until properly submitted to Congress for review."

**AMALGAMATED PUSH BACK** — Per House Financial Services spokesman Jeff Emerson on the CEO of Amalgamated Bank praising Dodd-Frank: "Of course the CEO of an institution the [New York Times](#) called 'the left's private banker' and said has a "political banking business" supports Dodd-Frank."

**CORDRAY IS ... STILL THERE** — Compass Point's Isaac Boltansky and Lukas Davaz: "With a decision in the PHH case review unlikely until next year, and the path for a legislative compromise on the Bureau's governance structure becoming hazier by the day, all indications are that Director Cordray is likely to retain his seat at least through the year and possibly until it comes to term in July 2018.

"President Trump could conceivably attempt to dismiss Director Cordray, but our sense is that the White House would prefer



avoiding the associated political and procedural fallout"

**GOOD TUESDAY MORNING** — One of the ugliest NCAA championship games MM can remember but congrats to the victorious North Carolina Tar Heels who won despite shooting just 36 percent from the field and 15 percent from three point land. Email me on [bwhite@politico.com](mailto:bwhite@politico.com) and follow me on Twitter [@morningmoneyben](https://twitter.com/morningmoneyben). Email Aubree Eliza Weaver on [aweaver@politico.com](mailto:aweaver@politico.com) and follow her on Twitter [@AubreeEWeaver](https://twitter.com/AubreeEWeaver).

**Pro Health Care Briefing: Drug Safety and the Trump FDA** — Join the POLITICO Pro Health Care team and experts as they discuss: How will changes to the FDA drug approval process protect safety, promote efficacy, maximize appropriate prescribing, and pass on cost savings to patients and taxpayers? What are the challenges and possible benefits of relying on surrogate markers to determine drug effectiveness and side effects? How can real-world data inform changes in the FDA? **Wednesday, 8 a.m., The Mayflower Hotel.RSVP [here](#).**

**THIS MORNING ON POLITICO PRO FINANCIAL SERVICES — Patrick Temple-West: TRUMP'S SEC PICK MET WITH ICAHN IMMEDIATELY AFTER NOMINATION** — "President Donald Trump's deregulation czar, billionaire investor Carl Icahn, was one of the first people to meet with Jay Clayton, Trump's nominee to chair the SEC, just after Clayton got picked for the job. In a [response](#) to questions from Sen. [Sherrod Brown](#) (D-Ohio) that was obtained by POLITICO on Monday, Clayton said he met with Icahn on Jan. 4, the day Trump announced him for SEC chair. Clayton said the meeting took place after the announcement that day ... Clayton, a partner at Sullivan & Cromwell, has drawn fire for his Wall Street ties from Sens. [Elizabeth Warren](#) and [Bernie Sanders](#). Icahn's role in shaping the Trump administration's regulatory policies has also drawn scrutiny from Democrats. Icahn played a central part in vetting Trump's list of picks to lead the EPA. Scott Pruitt, Oklahoma's attorney general, was ultimately chosen ... Clayton faces a Senate Banking Committee vote Tuesday, a hurdle he is expected to clear on his way to a full Senate confirmation vote, which is likely to come as early as the last week in April ... ." [Read more.](#)

**DRIVING THE DAY** — President Trump this morning holds a CEO roundtable on "the American business climate" ... Later in the morning, Trump will speak at the 2017 North America's Building Trades Unions National Legislative Conference. Later in the day he meets with Treasury Secretary Steven Mnuchin ... House Financial Services has a hearing at 10:00 a.m. on the Fed ... HFS subcommittee has a hearing at 2:00 p.m. on Iran sanctions ... Senate Banking at 10:00 a.m. is expected to approve Jay Clayton's nomination for SEC chair ... Bank of America CEO Brian Moynihan speaks at a Washington Post event at noon ... JPMorganChase CEO speaks at a [Yahoo Finance event](#) at 2:00 p.m. ... Outgoing Fed Governor Dan Tarullo gives a farewell address at 4:30 p.m.

**MORE ON CLAYTON'S MEETINGS** — Via Bloomberg: "Jay Clayton ... said he had 'substantive' communications with several wealthy backers of then-President-elect Donald Trump before he was offered the job in January. Clayton spoke with venture capital billionaire Peter Thiel and political adviser Rebekah Mercer ...

"Clayton also said he communicated with the campaign's chief executive officer, Stephen Bannon, who is now Trump's chief strategist" [Read more.](#)

**DEM PRESSURE** — Via Revolving Door Project's Jeff Hauser: "Whatever unity progressives have achieved in the Gorsuch fight might be proven temporary or meaningless if any Banking Committee Democrats vote for Clayton, who would bring more conflicts of interest to the SEC than Trump has to the White House.

"A Clayton SEC would make Mary Jo White critics like myself look back with surprising wistfulness. Senate Democrats might think a vote for Clayton is a costless vote to hand the donor class, but over time a vote for Clayton will become a Scarlett Letter for any ambitious Democrat."

**Tweet du jour** via [@angieberkey](https://twitter.com/angieberkey): "Even [#RogerStaubach](#) admits [@cajunbanker](#) REALLY IS a Cowboys fan!" [#CBALIVE@ConsumerBankers](#)"

**MM RESPONSE:** #HTTR

**\*\* A message from Morgan Stanley:** Morgan Stanley helped All Aboard Florida raise capital needed to develop Brightline, an express, intercity rail connecting Southern Florida. The project won't just reduce travel time—it's projected to add up to hundreds of millions in tax revenue over the next several years<sup>1</sup>. Learn more at [morganstanley.com/brightline](https://morganstanley.com/brightline). Capital creates change. \*\*

**KUSHNER BUILDING IN TROUBLE** — NYT's Charles Bagli: "The Fifth Avenue skyscraper was supposed to be the Kushner Companies' flagship in the heart of Manhattan - a record-setting \$1.8 billion souvenir proclaiming that the New Jersey developers Charles Kushner and his son Jared were playing in the big leagues.

"And while it has been a visible symbol of their status, it has also been a financial headache almost from the start. On Wednesday, the Kushners announced that talks had broken off with a Chinese financial conglomerate for a deal worth billions to redevelop the 41-story tower, at 666 Fifth Avenue, into a flashy 74-story ultraluxury skyscraper" [Read more.](#)

**McHENRY HOPES FOR FIN REG BILL BY SUMMER** — POLITICO's Colin Wilhelm: "House Republican Chief Deputy Whip Patrick McHenry (R-N.C.) says he hopes to see a financial regulatory reform package advance out of the House this summer but that any effort would take a backseat to health care and tax reform"

**MEMO TO BOND MARKETS: DON'T FIGHT THE FED** — Mohamed A. El-Erian in the FT: "When it comes to investor

positioning, an important takeaway from last month should have been that the Fed ... now less worried about the economic outlook, is becoming more assertive in leading, rather than following markets ... Yet investor attention has been distracted, making bonds less sensitive to an important Fed policy regime shift and a lot more reflective of political uncertainty in the US and Europe" [Read more.](#)

**WELLS FARGO WHISTLE-BLOWER COMES OUT ON TOP** —NYT's Stacy Cowley: "A federal regulator on Monday [ordered Wells Fargo](#) to pay \$5.4 million to a former manager who said he was fired in 2010 after reporting to his supervisors and to a bank ethics hotline what he suspected was fraudulent behavior. The bank must also rehire him, the Labor Department's [Occupational Safety and Health Administration](#) said.

"The \$5.4 million, intended to cover back pay, compensatory damages and legal fees, is the largest individual award ever ordered through OSHA's whistle-blower protection program, according to Barbara Goto, the agency's regional administrator in San Francisco." [Read more.](#)

**BANK OF AMERICA TURNS TO FATF REPORTS** — WSJ's Samuel Rubinfeld: "Bank of America Corp. is using a recent assessment of the money laundering risk in the U.S. economy to help determine risk among its customers, according to a bank official.

"William Fox, global head of financial crimes compliance at Bank of America, said during a panel discussion at an anti-money laundering conference that he had briefed senior management about the latest evaluation of the U.S. from the Financial Action Task Force, an international standards-setting body." [Read more.](#)

**INVESTORS TROUBLED BY WEAK AUTO SALES** — AP's Marley Jay: "U.S. stocks started the second quarter with a thud Monday after car makers reported disappointing March sales, a possible warning about other types of spending. But a late recovery helped stocks avoid bigger losses.

"Stocks tumbled in morning trading after automakers including Ford and General Motors said passenger car sales slumped last month. Auto parts and rental car companies also tumbled. Spending by shoppers is a critical part of economic growth and investors found themselves wondering if spending will keep growing as it has in recent years. Small companies slumped, as their performance is closely linked to U.S. economic growth." [Read more.](#)

**COWEN GROUP ACQUIRES BROKERAGE FIRM** — NYT's Chad Bray: "The Cowen Group said on Monday that it had agreed to acquire the brokerage firm Convergenx Group as it looks to bolster its sales and trading business.

"The New York financial services company said that it would pay \$116 million in cash and stock to acquire Convergenx from the private equity firm GTCR, Bank of New York Mellon and other investors. The deal for Convergenx came just days after Cowen announced it had agreed to sell a 19.9 percent stake in itself to CEFC China Energy, a Chinese conglomerate with big investments in oil in Central Africa." [Read more.](#)

**CHINA'S 'BAD BANKS' FLOURISH** — FT's Don Weinland: "China's so-called bad banks are thriving as alternative lenders, evolving from bad-debt managers into some of the country's largest financial conglomerates just as margins at the big state-owned banks come under pressure.

"China's four centrally controlled asset management companies (AMCs) were set up in 1999 to swallow toxic assets from banks, and have had their assets grow expansively over the past five years. The four groups — Cinda, Huarong, Great Wall and Orient — have been the primary buyers of non-performing loans in China. But they have also profited from low interest rates in recent years" [Read more.](#)

**ECONOMY BIGGER THREAT THAN TRUMP?** — Bloomberg's Adam Haigh: "Veteran money manager Bob Doll is becoming increasingly worried that the American economy poses a greater threat to the U.S. stock rally than the political tensions traders are currently focused on from President Donald Trump and Congress.

"Sentiment on the U.S. economy may be too high, leaving investors vulnerable to negative surprises on growth, according to Doll, the Chicago-based chief equity strategist and senior portfolio manager at Nuveen Asset Management LLC, which oversees about \$230 billion. Equities and high-yield bonds may suffer in the short-term, with the chance of a deeper sell-off growing, he said. He remains bullish on equities longer-term." [Read more.](#)

**MORGAN STANLEY TAPS MARTIN LEIBOWITZ TO LEAD NEW GROUP** — Business Insider's Frank Chaparro: "Morgan Stanley has handed a Wall Street legend a new role as the head of a newly created council focused on quantitative research. The US investment bank has named Martin L. Leibowitz, known as Marty, vice chairman of Morgan Stanley Research, and chair of a newly formed Research Quantitative Council.

"The bank council will be made up of 'nine quantitative specialists' across different segments of the investment bank, according to an internal memo announcing the appointments." [Read more.](#)

**ALSO FOR YOUR RADAR —**

**HOW DEREG COULD HIT NAT SEC** — CAP senior fellow Ganesh Sitaraman on the Lawfare blog argues that deregulation in the form of the REINS and RAA are dangerous to national security, via Treasury anti-money laundering and sanctions regulations. [Read more.](#)

**POWELL TO SPEAK AT SIFMA EVENT** — Per release: "Leading financial services trade associations based in Washington, D.C., are hosting the first annual 'Global Finance Forum' on the occasion of IMF-World Bank Spring Meetings on April 20 ... The associations are pleased to announce that the forum will begin with a keynote conversation with Federal Reserve Governor Jerome Powell. [Register here.](#)

**DEFENDING HEDGE FUNDS** — Managed Funds Association's Richard Baker in USA Today: "Even in times of pressure, research shows that investors — particularly institutional investors such as pensions, foundations and endowments — continue to use hedge funds as tools to help meet their unique financial and risk management needs." [Read more.](#)

**CFTC NAMES HEAD OF SURVEILLANCE** — POLITICO's Patrick Temple-West: "A former currency trader and CNBC contributor has been named head of a new unit at the CFTC tasked with monitoring markets ... Andrew Busch of Chicago has most recently been head of a boutique economic research firm he founded. Busch formerly worked at the Bank of Montreal in Chicago where he served as a currency strategist"

#### CALENDAR:

10:00 a.m.: The Senate Banking, Housing and Urban Affairs Committee holds a markup to vote on the nomination of Jay Clayton to be a member of the Securities and Exchange Commission. 538 Dirksen Senate Office Building

10:00 a.m.: The House Financial Services Committee Monetary Policy and Trade Subcommittee holds a hearing on "Federal Reserve's Mandate and Governance Structure." 2128 Rayburn House Office Building

12:00 p.m.: Washington Post Live holds a [discussion](#) on whether change in Washington may impact financial regulation and how these and other pressing issues will affect consumers, the company and the U.S. and global markets. Washington.

*Did we miss anything? Let Morning Money know about future events:* [financecalendar@politicopro.com](mailto:financecalendar@politicopro.com)

**\*\* A message from Morgan Stanley:** When All Aboard Florida wanted to bring an innovative express, intercity railway to Florida, Morgan Stanley helped it raise capital to make the project happen. The new Brightline trains are expected to cut travel time across Southern Florida by about an hour, while potentially creating over 10,000 jobs on average per year during construction<sup>1</sup>. All with zero projected taxpayer subsidies<sup>1</sup>. Capital creates better connections for people, communities and cities. Read the whole story at [morganstanley.com/brightline](http://morganstanley.com/brightline). Capital creates change.

Disclaimer:

1 Based on data provided by All Aboard Florida. For more information visit: <http://allaboardflorida.com/projectdetails/aaf-fact-sheet>

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#### Stories from POLITICO Pro

**Trump's SEC pick met with Carl Icahn immediately after nomination**[Back](#)

By Patrick Temple-West | 04/03/2017 03:22 PM EDT

President Donald Trump's deregulation czar, billionaire investor Carl Icahn, was one of the first people to meet with Jay Clayton, Trump's nominee to chair the SEC, just after Clayton got picked for the job.

In a [response](#) to questions from Sen. [Sherrod Brown](#) (D-Ohio) that was obtained by POLITICO on Monday, Clayton said he met with Icahn on Jan. 4, the day Trump announced him for SEC chair. Clayton said the meeting took place after the announcement that day.

"On January 4th, after my nomination had been publicly announced, I met with Carl Icahn," Clayton said. "On December 24th, following press reports of my meeting with then President-elect Trump earlier in the week, Mr. Icahn's office contacted me to request a meeting on a to-be-determined date," Clayton said. "That meeting was not set until several days after I received word that I would be nominated."

Clayton, a partner at Sullivan & Cromwell, has drawn fire for his Wall Street ties from Sens. [Elizabeth Warren](#) and [Bernie Sanders](#). Icahn's role in shaping the Trump administration's regulatory policies has also drawn scrutiny from Democrats. Icahn played a central part in vetting Trump's list of picks to lead the EPA. Scott Pruitt, Oklahoma's attorney general, was ultimately chosen.

Clayton faces a Senate Banking Committee vote Tuesday, a hurdle he is expected to clear on his way to a full Senate confirmation vote, which is likely to come as early as the last week in April.

Clayton and Icahn previously acknowledged that they had met, but the timing of the meeting had not been disclosed until now.

At Clayton's March 23 Senate Banking Committee hearing, he said of his conversation with Icahn: "We talked about Mr.

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Icahn's view on the importance of activist investors and how they, through their methods, drive performance of public companies."

They did not talk about specific SEC rules, Clayton said, adding that it was the first time he met Icahn.

Trump named Icahn, whose net worth is pegged by Forbes at about [\\$16 billion](#), as the White House's special adviser for regulatory reform in December.

In March, consumer advocacy group Public Citizen filed a complaint with Congress accusing Icahn of violating lobbying rules by pushing the White House to change federal ethanol regulations.

In his response to Brown, Clayton also listed eight individuals that he met with prior to getting the SEC job: Reince Priebus, Steve Bannon, Ambassador Martin Silverstein, energy executive Ira Greenstein, venture capitalist Darren Blanton, technology entrepreneur Peter Thiel, and GOP donor Rebekah Mercer, as well as Trump.

"While I have not specifically looked into it, I believe it is fair to presume that one or more of these individuals may be affiliated with one or more public companies or other companies that are regulated by the SEC," Clayton said.

Given that Republicans control the Senate, Clayton's confirmation is all but assured. But some Democrats are likely to oppose him. Brown was the only Senate Banking Committee Democrat to vote against former SEC Chair Mary Jo White.

Separately, Clayton responded to follow-up questions from Sen. [Mark Warner](#) (D-Va.). Clayton said he couldn't discuss much about his legal work for Valeant and Pershing Square, whose activity in the attempted purchase of drugmaker Allergan has drawn scrutiny. At the March 23 hearing, Warner raised concerns about that 2014 deal, saying Valeant and Pershing "have come under significant legal scrutiny for potential insider trading."

Clayton said he was not involved in the deal prior to its announcement.

In June 2014, after the takeover bid was announced, Clayton said his colleagues consulted with him, but that he spend less than three hours on the matter.

[Back](#)

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**Subject:** What to Know in Washington: Facebook Fights Back With Lobbying

## What to Know in Washington: Facebook Fights Back With Lobbying

By Zachary Sherwood | March 27, 2018 07:01AM ET | Bloomberg Government

Facebook is on a hiring spree in Washington as the social network bulks up its ranks of lobbyists amid a privacy scandal that cuts to the heart of its business model, Naomi Nix, Billy House and Bill Allison report this morning.

As a chorus of calls mounts for answers about its data practices, Facebook is looking to hire at least 11 people for policy-related positions in Washington, according to its website. The company started hiring new lobbyists last fall after revelations Russians exploited its platform to help elect President Donald Trump.

Yesterday, Senate Judiciary Chairman [Chuck Grassley](#) (R-Iowa) became the latest lawmaker to call for Facebook's CEO Mark Zuckerberg to testify before Congress. The Federal Trade Commission took the unusual step of [confirming it's investigating](#) Facebook's privacy policies following revelations about Cambridge Analytica's use of its data. The National Association of Attorneys General also wants to hear from Zuckerberg.

Zuckerberg last week suggested he'd be willing to come and answer questions if he determines he is the right person to appear. Grassley sent an invitation yesterday asking Zuckerberg to answer questions at an April 10 hearing. He also invited Google CEO Sundar Pichai and Twitter CEO Jack Dorsey to appear before his panel to discuss data privacy. Facebook hasn't answered Grassley yet.

Among the hires Facebook is seeking to make are privacy and public policy managers, a government outreach manager, associate general counsel positions, and a couple of policy managers to help draft positions on tech and video policy issues. Some of the postings say the positions could be based in either Washington or the company's Menlo Park, California, headquarters. It wasn't clear when the jobs were posted or whether they are new positions. A Facebook spokesman declined to comment on the policy positions the company is currently trying to fill.

The company ranks third among top tech companies in Washington lobbying spending after Alphabet Inc.'s Google and Amazon.com and employs about 40 internal and external lobbyists. The company disclosed spending \$11.5 million on lobbying in 2017, up from \$8.7 million the year before. [Read more](#).

### Trump's Tariff Push

The Trump administration is urging China to lower tariffs on cars and open its market to U.S. financial services as part of talks to resolve a rise in trade tensions that has shaken global markets, according to a person familiar with the matter.

Treasury Secretary Steven Mnuchin called China's Liu He to congratulate him on his appointment this month as vice premier in charge of economic policy, said the person, who spoke on condition of anonymity because the discussions aren't public. The two discussed the trade deficit between the two countries and committed to finding a mutually agreeable way to reduce the gap, the person said, adding they have exchanged correspondence.

Meanwhile, one of Trump's senior trade advisers says the president is seeking a nearly one-third narrowing of the U.S. trade deficit with China. Trump wants to see a \$100 billion reduction in America's trade deficit with China this year, as well as action on intellectual property, White House trade adviser Peter Navarro told Bloomberg Radio yesterday. The U.S. had a \$337 billion trade shortfall in goods and services with China last year. [Read more from Andrew Mayeda](#)

**Governors Court China:** With Trump acting to squeeze China, U.S. governors and mayors are delivering a different message to Chinese businesses looking to invest: Bring it on. Making trips to China and setting up liaison offices in the country, officials aim to position their states, cities and towns as desirable destinations for Chinese companies looking to invest and operate overseas. "We are not shy about talking about our relationship with China," said Mike Preston, executive director of the Arkansas Economic Development Commission, in a March 16 phone interview. Since Gov. [Asa Hutchinson](#) (R) took office in 2015, "we decided to really target China and try to bring more investments from China," Preston said. [Read more from Yueqi Yang](#)

**Auto Industry Braces:** Auto workers in the U.S. hoping Trump's tougher approach to China will help create jobs at home and cut the trade deficit by \$100 billion may be in for a huge disappointment. Companies such as General Motors and Ford are among those that already make cars in China with domestic partners for the local buyer, not only to avoid the 25 percent import duty but also to take advantage of lower costs. GM's partners in China include SAIC Motor, while Ford has tied up with Changan Automobile Group and holds a stake in Jiangling Motors. Cutting the tariff "will have no measurable impact on the U.S. trade deficit," said Steve Man, an analyst with Bloomberg Intelligence. "It just doesn't make sense to ship high volumes of vehicles into China since it's still cheaper to build them there." [Read more from Bruce Einhorn](#)

**U.S.-South Korea Cut Trade Deal Ahead of Talks With North**

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The U.S. agreed to revise its trade deal with South Korea and spare the country from Trump's steel tariff, as the allies sought to resolve disputes before planned meetings with Kim Jong Un.

The two countries reached an agreement "in principle" on the bilateral free trade agreement known as KORUS, South Korea's trade ministry said in a statement yesterday. The announcement came after Secretary Mnuchin said Sunday that U.S. Trade Representative Robert Lighthizer had reached a "very productive understanding."

To avoid the steel tariff, South Korea would limit U.S. shipments of the metal to about 2.7 million tons a year, the ministry said. The country also agreed to double to 50,000 the number of U.S. cars that could be imported without meeting local safety standards, although American manufacturers sell far fewer cars in the market. [Read more from Kanga Kong, Ben Brody and Jiyeun Lee.](#)

**Kim in China:** Kim Jong Un made a surprise visit to Beijing on his first known trip outside North Korea since taking power in 2011, three people with knowledge of the visit said. Further details of his trip, including how long Kim would stay and who he would meet, were not immediately available. The people asked not to be identified because of the sensitivity of the information. The unannounced visit is the latest in a series of diplomatic power plays in Asia as Trump's battle to lower the U.S. trade deficit becomes entangled with his effort to get Kim to give up his nuclear weapons. Chinese President Xi Jinping has found himself preparing for a trade war with Trump even after supporting progressive rounds of United Nations sanctions against the Kim regime. [Read more.](#)

**Lessons from Libya:** Muammar Qaddafi's fate in Libya is fresh in the minds of both Kim and John Bolton, the new U.S. national security adviser. But the lessons they learned are very different, and that threatens to doom any talks between Kim and Trump. On March 19, Bolton told Radio Free Asia that he hoped Trump would follow the Libya model in demanding that North Korea give up its nuclear weapons, and that it could be a "very short meeting" if Kim refused. But the North Korean leader has regularly cited Libya as an example of why he needs nuclear weapons—to deter a U.S. invasion. [David Tweed takes a potential strategies ahead of the talks](#)

**Rubio Defends Bolton:** Meanwhile, Sen. [Marco Rubio](#) (R-Fla.) called the reaction to Bolton "ridiculous." Bolton is "more qualified" to be named national security adviser than Tom Donilon or Susan Rice when they got the same job under former President Barack Obama, Rubio tweeted. Bolton has "years of combined experience" at the Department of Justice and the State Department, Rubio said. "Ridiculous media freak out over John Bolton continues. It's a blatant lie to portray him as just some media pundit," he tweeted.

## Legislative Outlook

Congress is out of town, but lawmakers continue to push their legislative priorities.

**Farm Bill:** The next farm bill is on track in the Senate and may move as soon as April, the Agriculture Committee chairman said. Sen. [Pat Roberts](#) (R-Kan.) told Bloomberg Government yesterday work is underway to prepare the Senate version of the farm bill reauthorization. "We could have a markup in April," Roberts said. "I don't know if it's that first week but maybe the second, and we'll see if we can get it done." [Read more from Teaganna Finn](#)

**IRS Overhaul:** Two lawmakers on the House Ways and Means Oversight Subcommittee yesterday released draft legislation to overhaul the IRS's operations. "This proposed legislation will transform taxpayer interactions with the IRS for the first time since 1998," Oversight Subcommittee Chairman [Lynn Jenkins](#) (R-Kan.) and ranking member [John Lewis](#) (D-Ga.) said in a summary of the discussion draft of the bipartisan legislation released yesterday. "Two decades later, it is time to modernize the agency's information technology, infrastructure, and services. It is time to return the IRS back to its 'service first' mission."

The draft legislation includes modifications to the IRS's appeals process for taxpayer disputes and changes that would shield low-income taxpayers from the controversial private debt collection program. It would also eliminate the IRS Oversight Board, which has already suspended its operations due to a lack of Senate-confirmed members. [Read more from Allyson Versprille and Robert Lee.](#)

**Opioid Effort:** The FDA could have the authority to encourage shorter-term prescriptions for pain medications like AbbVie's Vicodin as a way of curbing new opioid addictions, under a proposal from Sen. [Lamar Alexander](#) (R-Tenn.). The chairman of the Senate Health, Education, Labor and Pensions Committee released two draft bills yesterday to beef up the Food and Drug Administration's ability to respond to the opioid crisis. [Read more from Jeannie Baumann](#)

## What Else to Know

**FTC Nomination:** Trump intends to nominate a top Senate Democratic aide to the Federal Trade Commission, a move that could help speed the confirmation of four pending FTC nominee. The nomination of Becca Kelly Slaughter, chief counsel to Senate Minority Leader [Chuck Schumer](#) (D-N.Y.), to the five-member commission, would help provide the political balance of three Republican and two Democratic nominees. That could clear the way for Senate confirmation of antitrust lawyer Joseph Simons, Trump's choice to be FTC chairman, as well as nominees to three other FTC vacancies. [Read more from James Rowley](#)

Trump announced the intent in a statement. He also tapped current administration official Julie Cram to be the senior coordinator of U.S. International Basic Education Assistance.

**Pennsylvania Midterm Outlook:** The Cook Political Report [changed](#) its rating for the House race in Pennsylvania's 6th

congressional district to “Likely Democratic” from “Toss-up” after Rep. [Ryan Costello](#) (R) said he won’t run for re-election. “Costello was probably the biggest loser in Pennsylvania’s new court-ordered map,” Cook’s House editor David Wasserman said. [Greg Giroux updates his look at the new Pennsylvania map with Costello’s announcement](#)

**Campaign Finance:** Two pro-disclosure court rulings handed down days apart are pushing the Federal Election Commission closer to revealing long-hidden donors to groups that have spent tens of millions of dollars influencing campaigns. “The courts last week reaffirmed Americans’ ability to know who is funding their elections,” said Jordan Libowitz of the pro-disclosure nonprofit Citizens for Responsibility and Ethics in Washington, which was involved in both of the court cases. “These decisions are hopefully a sign that more transparency is coming our way in the midterm elections.” [Read more from Kenneth P. Doyle](#)

**Trump Takes Action on Russia:** The U.S. president often accused of cozying up to the Kremlin suddenly looks closer than ever to the European allies he’s sometimes snubbed. Trump yesterday expelled 60 Russian diplomats considered spies from the U.S., the most since 1986, demonstrating united resolve with Europe after the U.K. blamed Vladimir Putin’s government for a March 4 nerve-agent attack on a former Russian spy living in England. All told, more than 100 Russian envoys will be sent home from capitals across Europe and North America.

Trump drew bipartisan praise in Washington for the expulsions, about a week after he was criticized for congratulating Putin on his re-election in a phone call with the Russian leader. The president’s rapid turn from courting Putin to downgrading diplomatic relations and leading a Western alliance against the Kremlin’s provocations left heads spinning across the globe, none more so than in Moscow. [Read more from Alex Wayne, Jennifer Jacobs and Jennifer Epstein](#)

**AT&T-Time Warner:** The judge overseeing the U.S. antitrust trial seeking to block AT&T from buying Time Warner issued a stern warning to lawyers for both sides after an attorney for a government witness gave his client transcripts of opening arguments and testimony by another witness before he took the stand. The witness, Warren Schlichting, president of Dish Network’s Sling TV, was called by the Justice Department yesterday in its effort to persuade the judge that AT&T’s \$85 billion takeover of Time Warner will harm competition from services such as Sling and should be blocked. Judge Richard Leon said allowing Schlichting to view the materials was in “direct contravention” of court rules. “It was a mess-up by counsel,” he said. “It shouldn’t have happened.” [Read more from David McLaughlin and Andrew Harris](#)

**Auto Emission Rules:** As the Trump administration begins to dismantle Barack Obama’s ambitious auto efficiency regulations, California is said to be poised to retaliate by doing something that automakers have feared: de-coupling the state’s rules with those set in Washington. The EPA has concluded Obama rules to limit vehicle greenhouse-gas emissions are too aggressive and should be revised, according to people familiar with the determination. The agency is scheduled to make the decision public by Sunday. California intends to counter punch by revoking its deemed to comply provision, two people familiar with the matter said. The obscure-but-important state rule declares that carmakers that satisfy the EPA’s tailpipe greenhouse gas standards automatically fulfill California’s rules too. [Read more from Ryan Beene and John Lippert](#).

**Kushner Loans:** White House attorneys are examining whether loans totaling hundreds of millions of dollars secured by senior adviser Jared Kushner’s family business may have violated laws or federal ethics regulations. The internal investigation into the loans was disclosed yesterday by the Office of Government Ethics, an independent agency responsible for preventing conflicts of interest by federal employees. The revelation came after a Democratic lawmaker raised questions about the propriety of the decision by Trump’s son-in-law to meet in his capacity as a senior White House aide with executives from companies that later provided loans to Kushner Cos., the private family real-estate business that Kushner ran before the 2016 election. [Read more from Justin Sink](#)

**Stormy’s Suit:** Stormy Daniels added Trump’s personal lawyer as a defendant in her lawsuit against the president, another fold in the legal morass stemming from her alleged affair with Trump in 2006 and a subsequent agreement not to discuss the relationship. Daniels, an adult actress whose real name is Stephanie Clifford, claimed yesterday that she was defamed by a statement Trump’s lawyer issued last month that made her sound like a liar. The filing in California federal court followed a “60 Minutes” interview aired Sunday night in which Clifford described the encounter she had with Trump more than 10 years ago. Raj Shah, a spokesman for the White House, said yesterday that Trump strongly, clearly and consistently denied the underlying claims. [Read more from Justin Sink and Edvard Pettersson](#)

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